VERITAS ET UTILITAS

SUMMER 1955

HE BUSINESS QUARTERLY

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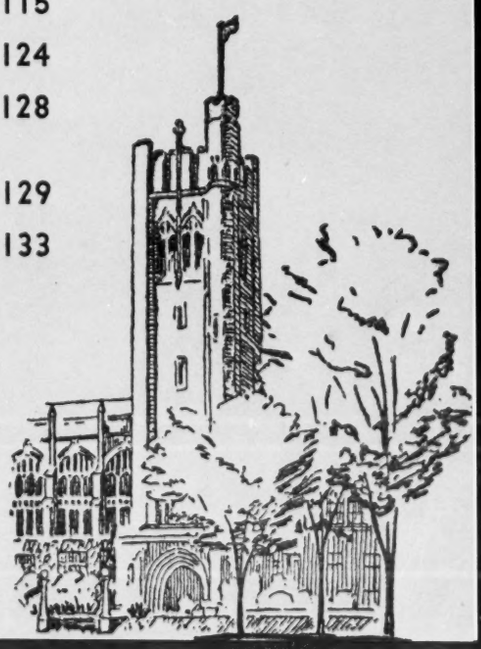

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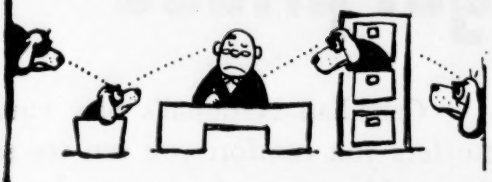

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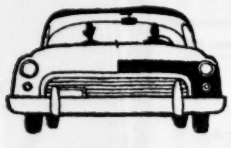

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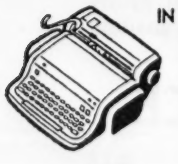

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THE BUSINESS QUARTERLY

VOLUME XX Number 2 — SUMMER 1955

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Editorial . . .

Unlike the farms in Canada, the universities produce their crops in early summer, and very conveniently too for the farmers needing additional help with their harvests: and very advantageously too for this summer edition of The Business Quarterly which includes no less than four contributions from the student body.

From the score of student papers on governmental helps, controls and hindrances to Canadian business, we present the retailer's problem of loss-leader competition, because it is a problem affecting us all, whether manufacturers, retailers or consumers. However important and brilliantly written, a treatise on unemployment insurance, freight rate or wheat marketing problems, can have relatively less appeal.

But what is more important or of more general interest than how the average Canadian spends his leisure time? Unfortunately for the businessman the Canadians with the most money seem to be the most indeterminate in their habits. The advertiser will note how the lower paid and less educated plump for his television. (Whether this is the cause of Canadian television's content we hope to answer in the fall with articles on television from the national viewpoint by Davidson Dunton of CBC and also from the local viewpoint, which may have something to teach the national network.)

The socioligist and psychologist too are always asking, like A. P. Herbert in his Song for Parents, "What are his hobbies?"

"What's his hobby, dear?"
My father used to say.
"Is it bigamy or beer?
Could you stand him all the day?"

Can we tell the businessman's secret of success from his hobbies and outside interests? In the first of our series of biographies of Canadian business, Jack White of Imperial Oil is introduced by the Department of Journalism at the University of Western Ontario.

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Letters to the Editor . . .

Purpose of Foreign Trade

Sir:

In your spring issue and editorial analyzing Canada's foreign trade policy, surely the necessary direction for the really important new look from Canada overseas is buried in your book review of Barbara Ward's "Faith and Freedom": "The relationship today between the privileged nations of the west and underdeveloped areas of the world offers a startling analogy with the conditions which prevailed within early industrial society when Marx and Engels wrote their indictments and predicted the ruin that lay ahead."

If we are to survive, we must look on exports as ambassadors of goodwill, not merely as a means to greater profits or to balance our overseas payments account. Another article from Nik Cavell, director of Canada's contribution to the Colombo Plan aiding Asia, along the lines he wrote for the Business Quarterly last summer would have pointed in the necessary direction. Instead you review the narrow, not even nationalist, opinions of Hugh Roy Cullen, who can only lead us to disaster — "not a cent to be spent outside Texas".

Arthur Gordon,
Ottawa, Ontario

Sir:

Our labour, farmers, housewives and even industrial groups need to be educated to buy home products, or, if buying imports, to use the golden rule of only buying from those who buy from us. If buying groups were educated to buy to the country's best advantage instead of running to the government for controls, etc., would it not benefit all and solve most of our present problems? This could also include an education on holiday spending; last year we were $80 million behind on this alone.

Fred C. Brandt,
Stratford, Ontario

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About Our Authors . . .

John N. Milne, after graduating from Queen's University in 1935 as an electrical engineer, joined the Canadian General Electric Company, where as Manager of Marketing Research, Marketing Services Division, he is now occupying his eleventh job.

James Howie Mitchell started working as a coal miner at 14, went to Glasgow University on a Miner's Welfare Scholarship and graduated with first class honours in Mining Engineering. After working as consultant on industrial personnel problems at the National Institute of Industrial Psychology, he went in 1941 to the Ministry of Labour and National Service where he is now Assistant Secretary in charge of the Safety, Health and Welfare Branch.

Jack Curry and **Ross Smith** are 1955 M.B.A. graduates of the U.W.O. School of Business Administration. "Do Retailers Want Free Competition?" is distilled from their paper prepared for seminar discussion. Mr. Curry is now with I.B.M. and Mr. Smith with Canadian Westinghouse.

The Study of Leisure Time Activities is the result of original research by **Arthur Guttman** and **Asa Knowles** under the direction of **Miss Frances Oxley,** Head of the Department of Research at the School of Business Administration. Both Mr. Guttman and Mr. Knowles received their Master of Business Administration degrees in 1955.

After spending seven years doing research and publicity work with Public Relations Services Limited, **Vernon Lang** is now Assistant to the Secretary-Treasurer of the Canadian Tourist Association.

C. Edward Wilson, author of the first article in the series "Biographies of Canadian Business", is the winner of the Famous Players Canadian Corporation Scholarship for the highest standing in the third year of the Journalism course at Western.

J. R. W. Gwynne-Timothy is Assistant Librarian and Instructor in History and Economics at U.W.O.

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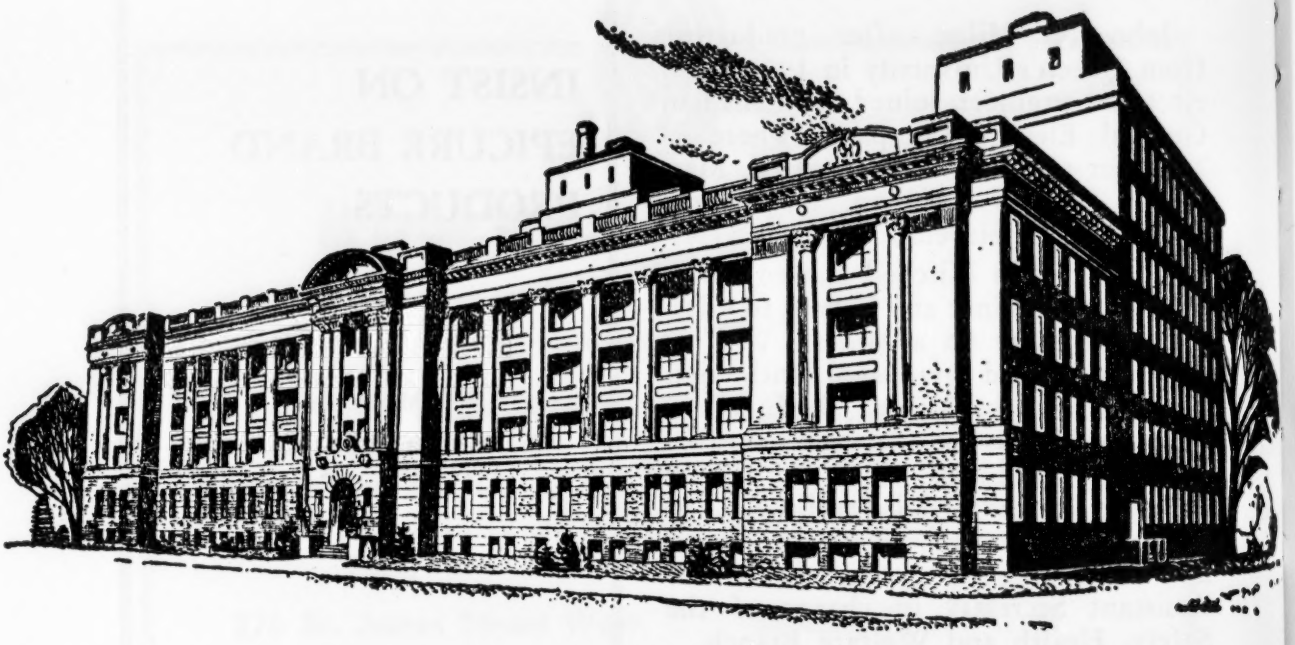

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How To Forecast

J. N. Milne

Everyone wants to know the future or thinks he does. Whether rich man, poor man, tinker, tailor, soldier or sailor, whether buyer or seller of stocks, bonds, house or car, whether investing in more land, education, insurance or cutting commitments of consumer credit, all wonder what tomorrow, next year and the beyond have in store. But the wise do not consult the palmist at the fair, neither the crystal nor the star gazer. Days have changed since Cicero wrote "I shall always consider the best guesser the best prophet." Forecasting is the essential pre-requisite to planning and planning whether by individual, business or government can no longer be based on a feeling in the seat of one's pants. Here John N. Milne, head of Canadian General Electric Marketing Research, outlines the care which should precede a prophecy and how the individual and smallest business also have available the necessary information for an intelligent forecast.

FORECASTING, the prophesying or estimating of future happenings or conditions, must be indulged in by all segments of society if they are to plan ahead. Those called upon to undertake economic forecasting prefer to call their work projections rather than prophecies, though the inclusion of the prophetic reference in the definition reminds us that the Oracles at Delphi and Dodona once prophesied for the ancient Greeks in ways not unlike those used by witch-doctors more recently in more primitive areas.

While the words of a good modern-day forecaster are not accepted quite so literally, and while he must state the basic assumptions containing his forecast — the most he can lose if he is wrong too often is his job, and not, fortunately, his head.

Henry Hazlitt has called "Economics" the science of recognizing secondary consequences, of seeing general consequences, and of tracing the effects of a policy, not only on some special interest in the short run, but on the general interest in the long run. Economic, or business forecasting, as we practise it, puts numbers on these consequences as they are projected into the future.

Recent History

Possibly because few, if any, minds can encompass all facts, and trace all pertinent consequences, the recent record of economic forecasting

lists many failures and leaves much room for improvement. Professor H. R. Bowen of Williams College stated the case very neatly in Detroit recently, when he said "There are four types of forecast — those that are right for the wrong reasons, those that are wrong for the right reasons, those that are wrong for the wrong reasons, and those that are right for the right reasons."

Following the war, we were deluged with forecasts as to the future of our economy, and really only one strong voice, that of Professor Woytinsky of John Hopkins, disputed the idea that depression was inevitable. However, even he was wrong recently, when he predicted late in 1953 that '54 would exceed '53 by some five percent. By contrast, Colin Clark, the Australian, was the voice of doom a year ago when he predicted a recession so severe that, by the middle of 1954, no political measures would be able to contain it. As a parallel, even doctors can be wrong — but no one can deny that the good they do far outweighs their mistakes.

These facts are recited, not to disparage those who made the forecasts, but simply to ask, "Why forecast when the record shows such seeming odds against success?"

It is human nature to tackle difficult things and attempt improvements on the past, and the possibility, however remote, of being able to tell something about the future is always intriguing. Coming events do cast their shadows before — the problem is, simply, how well can we delineate those shadows?

The final answer, of course, lies in the inescapable fact that economic forecasting is necessary. Every business decision based upon an appraisal of future events is a forecast. And a manager has a better chance of being right if he makes use of the best techniques and the best practitioners than he has by guessing without their help.

Modern business recognizes these facts when it sets up special groups to perform the forecasting function, and reminds itself that the prime use of a forecast is as a frame, or setting, for today's decisions, and not its percentage accuracy when the forecasted date arrives. Or, put another way, the estimate of tomorrow's economic flavour helps to determine a manager's "yes" or "no" answer today. A forecast is not a plan, any more than a road map is a plan for your automobile trip; both are merely guides to reasonably probable routes.

Instinct

Despite the immense amount of intensive work that has been done to make economic forecasting a science, there is no question that there is still a great deal of art involved. For, in the process of working with, and examining, the voluminous statistics now available, one tends to

develop an unexplainable "over-all feel" for conditions. Probably this is the same intuitive force which enables businessmen to make seemingly off-the-cuff decisions—sometimes with amazing accuracy. However, the larger a business becomes, the more difficult it is to retain this feeling, and the more necessary it is to systematize the forecasting process.

Company Background

A brief outline of the way in which my company works will help my explanation. The Canadian General Electric Company is divided into four staff divisions, and six operating divisions which in turn are divided into operating departments. These departments are each headed by a manager who, operating under general Company policies and assistance provided by the staff divisions, is responsible for all phases of his particular business from manufacturing to selling. The Economic Analysis Section is part of the Marketing Research Department and is a staff group. This section collects and co-ordinates basic economic information, makes studies of current economic conditions and trends, and is responsible for forecasts of the basic business outlook.

This section has many customers for its forecasts throughout the Company. Each of the seventeen operating departments, performing as a separate smaller company, must be apprised of the future general business climate in which it can expect to be operating, and in which it must produce and sell its particular products. Within the staff and operating departments are those interested in investment, man-power requirements, product development and sales forecasting for example; all of whom make use of short and long term forecasts as aids in the establishment of their respective programmes.

Outside Assistance

Since anyone in this type of work is, for obvious reasons, always in danger of losing his objectivity, and since two heads are frequently better than one, we believe in making use of as much outside assistance as possible. For these reasons we retain a firm of Canadian economists, in consultation with whom our forecasts are prepared. And since the job is a two-way proposition, we provide them with all possible assistance and information.

Published literature and attendance at pertinent meetings provide us with authoritative and up-to-date thinking, and a speaking acquaintance with some of the continent's top-notch economic thinkers. To gain these ends we maintain membership in such associations as the Canadian Political Science, American Economic, American Statistical and American Marketing Associations.

Finally, we subscribe to a number of periodicals such as the Financial Post, The Economist, the Wall Street Journal, University Quarterlies,

and many others. Additionally, we receive bushels of essential statistics from Ottawa, London, Washington and the United Nations — most of which are basic to economic analysis and forecasting.

Long-Term Forecasting

While the number and types of forecasts can be infinite, we classify them, essentially, into two types — long and short term.

Our long-term forecast, made once a year, is a ten-year projection of certain fundamental series such as population, labour force, employment, families, households, Gross National Product and its principal components, and the Index of Industrial Production.

In the making of this forecast, much emphasis is placed upon trends which must be watched to determine rates of growth and changes therein; and in this process all good statistical techniques are used.

Basic to any long-term forecast is a good estimate of future population — for, from population figures it is possible to estimate the labour force, and from it, Gross National Product. G.N.P. can also be built up by considering what may happen in the four main sectors of the economy — Government, Personal, Business and Foreign. In fact, all sound forecasters attempt to arrive at an end figure from at least two different directions, thus providing a cross-check on the reasonableness of their estimates.

Long-term forecasts of basic conditions are useful as a starting point in estimating the long-term demand for specific products, provided a logical relationship can be found to exist between unit sales of the product and one or more of the series developed in the forecast. For instance, having forecast the number of households, it is not too difficult to estimate the sales of an appliance such as a refrigerator. Good statistical techniques are used in this process — though judgment must also play an important role in the final distillation.

For example, one of our product departments manufactures a component of many electrical devices. These complete devices are used in homes, in industry and in business offices. The forecaster concerned has tied together, in a multiple correlation, the series giving number of households and the Industrial Production Index, along with past industry sales of his product. The historical relationship so determined is projected, from our forecasts of these two indicators, thus developing possible industry sales in the years to come. His next step is to decide, based upon our present and planned future facilities and products, our participation in the industry's sales. He thus ends up with a forecast, in units, of his products' sales for the next ten years.

If he wishes to translate his forecast into dollars, he has two choices: either he can multiply the units by today's prices and forecast in terms

of current dollars, or he can assume constantly rising prices and increase each year's figures by a given amount. The historical trend, since Confederation, shows an increase in wholesale prices of slightly better than one percent per year compounded — not of course without some major declines en route.

Long-term forecasts are also used: to determine capital requirements; to help determine changes in general company policy; to help meet expected labour conditions and wage trends; to estimate the possible effects of new or proposed legislation; to determine possible economic changes in the industries from whom we sell or buy; and so on.

Short-Term Forecasting

Our short-term forecast is made quarterly for at least four quarters ahead. Here the emphasis shifts from trends to cycles and to immediately apparent changes in direction. This is a very difficult process, compared to long-term work, and involves detailed studies of the immediate prospects in particular industries, in investment intentions, in changes in inventory, in financing and credit facilities, in labour income, in consumer spending—just to mention a few considerations.

Those involved in production scheduling and sales budgeting for the immediate future must make constant decisions as to purchases of raw materials, size of labour force and optimum inventories; and in our quarterly forecasts we provide indicators useful for these purposes.

Product Forecasting

The Marketing Research Department forecasts basic overall indicators, and is expert in the techniques of forecasting. However, we do not make product forecasts — these are the responsibility of those in the product departments. They start with the information we supply and use it to prepare long- or short-term budgets for their products.

The main difference between long- and short-term forecasts so far as products are concerned is that, usually once a year, area estimates can be obtained from the field. Districts will estimate, account by account, their probable sales, and may even get from larger customers figures on their anticipated purchases for the coming year. The department, based on our indicators, can make a quarterly forecast which is compared with the field estimates, and judgment must then be used to reconcile the two, if major differences exist.

Future of the Art

Earlier I indicated how much in error many forecasters have been, and suggested that the overall record leaves much to be desired. Certainly there is a vast field for improvement and much more will be accomplished over time.

Nevertheless it is a fact that forecasting techniques have improved in recent years and are becoming a reasonably reliable basis of operations—because the process of economic change is better understood—because government policy is more predictable—because data are better —and because greater use is being made of survey techniques.

Still further signs of improvement are in the offing—as for instance:

(a) The work of the National Bureau of Economic Research and others, on lead-lag indicators, which, while no touchstone, at least are useful tools to add to the forecaster's kit.

(b) Wassily Leontief's work on input-output, even though it may not throw too much light on forecasting, should prove useful in determining the effect on the whole economy of changes in its parts.

(c) Econometric studies and model building which encompass all economic activity.

(d) The increasing incidence of "built-in" stabilizers such as Family Allowances, Old Age Pensions, Unemployment Insurance which dampen the speed and effect of changes.

(e) Finally, electronic calculators — which may well have the major impact — for they make possible much more prompt reporting of statistics relating to the immediate past, and provide an opportunity to assess the future much more quickly and completely in a series of forecasts based upon varied assumptions. In fact they permit mathematical calculations impossible of completion heretofore.

Do-It-Yourself in the Smaller Business

What can a smaller business with somewhat more limited facilities do about forecasting? Of primary importance are good sources, and a constant flow of statistical information. The D.B.S. publications on the National Accounts, figures on the industry involved, and their monthly Statistical Review are indispensable. Concurrently, subscriptions to the Financial Post, Business Week and the Wall Street Journal give advice on day-to-day happenings, as also the financial pages of the daily papers. There are many other sources, but these will be indicated by the nature of your particular business.

The next step is to chart certain series in order to develop a feel for the way things are going. Many statistics, of course, are not available until some time after the events have occurred, and you must look for those which are as recent as possible.

For example, G.N.P. figures by quarters are not available for two or three months after the event. However, some statistics such as carloadings, department store sales, bank clearings, motor vehicle pro-

duction and business failures are quite current and serve to provide some indication as to present trends.

It would be rather monotonous to list all the indicators that might, or should, be watched, but some of the more important are:

1. *Gross National Product*—which, while much out of date, does indicate the overall level of the economy.
2. *National and Disposable Income*—which, also late, provides evidence of spending power.
3. *Consumer Expenditures, Construction Contracts Awarded* and *Retail Sales*—which jointly give a general indication of the level of public confidence.
4. *Manufacturers', Wholesalers'* and *Retailers' Inventories*—which act as guides to confidence and availability.
5. *Bank Debits, Bank Loans* and *Savings*—which indicate confidence and ability to buy.
6. *Industrial Production* and *Employment* — indicators of demand and confidence.
7. *Orders Received*—indices for various manufacturing sectors, particularly those producing heavy capital goods — good indicators of manufacturing levels in the months to come.

There is no magical way of putting these all together, but rather you should attempt to absorb the important information into whatever net picture your best judgment indicates. These statistics will tell something about five main things: Demand, Ability to Buy, Confidence, Prices and Availability.

Confidence and demand are the main factors, for without them business cannot progress. You must decide whether people, in the mass, are confident or afraid of the future, and whether their demands are strong, medium or weak. Are prices right or too high, thus encouraging or discouraging buying? Is their confidence backed up by adequate buying power? Finally, will goods be available to meet their demands?

The Micro Approach

A good principle to follow is to break the thing to be forecasted into its smallest possible segments. For example, if you are trying to estimate industrial production, the first step is to separate durable and non-durable industries and then further separate them into their individual components such as iron and steel, textiles, food processing and so on. Then call upon your knowledge of conditions in these industries as gleaned from the daily press, magazines, or good contacts in those industries in an attempt to forecast the possibilities for each industry.

While you can not possibly call the turn correctly for all of them, at least by giving consideration to each it is reasonable to expect that estimating errors will tend to average out, and that the overall total may not be too far astray. In our work we use precise and single figures, rather than a maximum or minimum range. This is done to ensure a common base for all projections as they reach top management in consolidated form. In forecasting for a small business the maximum-minimum approach may have far more merit.

The Macro Approach

A second method, which can be used as a check on the first, if time permits, involves the use of the national accounts. Economics tells us that the total demand for the output of goods and services is the sum of the demands created by households, business, government and foreign trade, and this total is the amount which the economy as a whole can absorb. If this demand is less than output, unemployment is indicated; if demand exceeds output, there is a tendency towards inflation.

Professor Boulding has called this relationship between output and total demand "the greatest single economic discovery of our age". This is a simple truism that is often overlooked in forecasting.

Speaking generally, the output of a nation depends principally on three things:

(a) The number of people who are economically occupied, which, of course, bears some relation to the total population;

(b) The energy of these people and their growing technological skills or their productivity per man hour; and

(c) The length of their work week.

If these three factors are isolated and analyzed, along with population growth, it is possible to develop gross national income figures for future years.

As a further check, the various components of the G.N.P. can be forecast separately.

Caution

Finally, it must be re-emphasized that no forecast can be an unerring prediction of things to come. In essence, it is no more than an informed opinion, though the better informed the opinion, the closer we can come to the mark. The Wall Street Journal recently said, with some justice, that—"No forecast should be regarded as throwing any light on the future, but only as reflecting conditions and visible trends up to the time the forecast was made".

As a closing comment "The Case of the G-E Babies" emphasizes what can happen. On January 14, 1953, G-E announced that it would award five shares of stock to any employee who had a baby on October 15th, 1953—the Company's 75th Anniversary. Application of the U.S. birth rate to G-E 226,000 employees yielded a prediction of 15 births, and since the original number of investors was thirteen, the Company announced that they expected thirteen winners. A G-E statistician quickly pointed out that since the employees included no children, and few over 65, they were not comparable to the U.S. total. A new, more statistically correct, estimate predicted 72 births on the big day.

As it turned out, there were not 13, 15 or 72 babies born on October 15th, but 189.

Where did the estimate fail—well, among other things, no allowance was made for the incentive provided by the Company's stock. This oversight was rectified by the employees who enjoyed creating children and who, regardless of their then present status, wished to become capitalists.

They evidently knew a good thing—for in a generally declining market, G-E common rose, during the pregnant months, from $59\frac{7}{8}$ to $78\frac{7}{8}$, and during 1955 reached a relative value as high as $167.

Research Pays Dividends

"Research, regarded as an investment in knowledge, has probably been the highest yielding form of investment in economic history", says the Earl of Halsbury, Managing Director of Britain's National Research Development Corporation, in the F.B.I. Review for March.

"It is very difficult to assess the economic value of research in individual instances. Scientific and technological knowledge form a virtual pool to which a multiplicity of individuals contribute and from which a multiplicity of beneficiaries draw. The greater part of this knowledge lies in the public domain and is freely available to all. The proportion represented by secret processes or exploited restrictively by valid patents is relatively small compared to the whole. The tightest patent monopoly only lasts for sixteen years and publication of the subject matter covered by the grant is a condition thereof. Since so much is publicly available why should any one individual firm contribute its fair share to the pool? Why should it not draw as much as possible out, and put as little as possible in? Ethically this might be deplorable, but are there economic arguments for not doing so? As it transpires, there are.

"A firm which fails to contribute to the world pool of technological knowledge will gradually lose its power to attract the type of skilled technologist who alone can exploit the contents of the pool in his employer's interest. It will accordingly become technologically backward and be overtaken by competitors."

Should Universities Teach Business?

J. Howie Mitchell

"A university which offers vocational training for lawyers, clergymen, doctors, teachers, engineers, farmers and so on, but provides no specific training for men who are seeking a career in industrial management has not yet caught up with the Industrial Revolution", writes senior U.K. civil servant Howie Mitchell, who studied business training in Europe and North America for twelve months while on a Nuffield Travelling Fellowship. But in the post-war struggle for greater productivity and better management in business, the British universities have conspicuously failed to pull their weight. Here are some of the reasons why.

AT the end of the war, with Great Britain's economy seriously weakened, yet forced to export more than ever before and to achieve higher productivity and lower costs, some wise people saw that the key lay in the quality of industrial management. They were in the minority; the more popular view, widely held by those who did not work with their hands, saw the solution in longer hours in industry and harder work by manual workers.

Some enlightened businessmen realized, however, that productivity is directly related to factory organization and methods of work and above all to the will to work together; that this will to work springs from the morale of the group; and that the responsibility for the morale of the industrial group and for the effectiveness of their work contribution lies with management. They saw that the whole economic future of Great Britain depended fundamentally on the skill of management and that it was essential that immediate steps should be taken to raise the status and quality of the manager. The British Government of the day shared this view and was active in propagating it; and it has been a feature of Government policy ever since to stimulate and foster arrangements designed to improve the quality of management throughout British industry.

The Status of the Manager in Britain

It was not easy, and today the job is still far from being done. Traditionally the industrial manager in Great Britain did not have the same standing in relation to other professions as his opposite number in Canada. This obviously had an important influence on the quality of potential manager recruits to industry. The manager in Canada holds up

his head with the university professors, doctors, lawyers, public administrators and other professional workers — in fact, he usually appears to look down on those in such "sheltered" walks of life. In Britain the reverse has, on the whole, been true. There have been outstanding exceptions, of course, but generally speaking, those who are able to get into the older and more respected professions have done so, and apart from sons following on father's footsteps into a family business, business is for those who cannot achieve the necessary academic distinction.

The schools and universities have to a large extent been responsible for this situation and for encouraging their best people to aim at something "better" than a managerial position in industry. There has been little conception of the first class manager as above all a "maker of men" and of his vocation in a modern industrial society as one calling for high qualities of nobility and ability.

Industry on its side has been prejudiced against the university graduate (except for technical posts) and has not provided the opportunities which the able graduate could find elsewhere. There is still in business circles in Great Britain a very widespread scepticism as to the value of any form of theoretical or formal instruction for those who are going to fill managerial posts in industry. Many successful businessmen hold firmly to the view that managers are born, not made, and, contradicting themselves, that management is a practical occupation which can best be learned on the job. Such men seem to have little idea of what form the learning on the job often takes in practice.

It is, of course, essential that the young aspirant to managerial rank should be given opportunities of experience in a junior position under a superior able to set a good example and anxious to help him develop; but in practice it is much more likely that those immediately above him are on the look out for any opportunity to trip him up just to keep him in his place. This technique is known as knocking the "cockyness" out of him. But what more is knocked out — all the keenness and youthful enthusiasm, the confidence, the inquisitiveness, the belief in people! This sort of training on the job is tragic in its effect. The evil is perpetuated. Those who survive are those who learn to look after themselves first — the tough and insensitive, those most lacking in those very qualities which, properly developed, make the leader; and they learn this lesson before they even begin to learn the very first thing about leadership — the moral responsibilities and loyalties, the art of human co-operation, the virtues of sympathy and insight in all who have control over others.

That, then, was the problem when the war ended — a vital need for a higher quality of management in British industry than ever before; a traditional "snob" attitude towards business which had the effect of depriving business of its proper proportion of the better quality output of the schools and universities; a widely held view that any attempt to

train managers in any formal way, through educational courses, was futile; and a traditional situation in industry which ensured that training on the job would normally be far more harmful than helpful to the development of the skills required in the manager of today.

Development Outside the Universities

It may surprise the Canadian reader that in this situation the Government, and those industrialists who saw the problem, did not turn to the universities for help. The pattern of development of management studies has been very different in Britain as compared with Canada. Apart from training given within business, the universities in Canada have provided most of the specialized training in this field; with a few honourable exceptions the universities in Britain have so far given little effective help with education for management, though more are now beginning to do so or to contemplate doing so.

Among the practical steps taken at that time, outside the universities, were the establishment of the Administrative Staff College at Henley-on-Thames in 1946 on the initiative of a few progressive business institutions and individuals; the establishment in the following year on Government initiative and with financial backing from individuals and industry of the British Institute of Management "for the study and promotion of the science of management"; the appointment in 1945 by the Ministry of Education of a committee to examine how the technical and commercial colleges could best help various professional bodies, such as the Institute of Industrial Administration and the Institute of Personnel Management, by providing evening classes in management subjects for their student members, and the evolution from this of the National Scheme for Certificates and Diplomas in Management Studies; and the introduction by the Ministry of Labour of the "Business Training Scheme" in 1946 to provide a training in business administration for ex-Service men and women seeking a career in industry or commerce on their return to civilian life.

Meantime, the universities apparently remained quite unaware that here was a problem of education of urgent national importance which might conceivably be their business. Thus it was that new organizations were set up to do what the universities were perhaps better equipped to tackle, and the technical colleges, as has happened before, took the lead in putting their house in order in response to changing need.

Defects of Commercial Courses as a Training for Management

Why were the universities left out of those post-war developments? First degree courses in commerce had been available in a number of the "red brick" universities (as distinct from the older universities of Oxford and Cambridge) since the turn of the century. In 1901 Birmingham

University established its Faculty of Commerce, followed by Manchester, Leeds, Liverpool, Durham, London and Bristol. Some universities which offered degrees in Economics, but not in Commerce, provided options which permitted students to specialize on the applied side. These commercial courses and applied economics courses were very similar in content and did not profess to provide anything so unsavoury as a vocational training for business, though the universities put them forward as the best they could be expected to do for men proposing to enter business. In addition, a one year post-graduate course in industrial administration has been available in the Manchester College of Technology since 1927 and in the London School of Economics since 1931. Here, surely, was at least a foundation. There were several reasons why it was not used at the time.

First of all there was the attitude of business towards the universities. Even when the businessman had been brought round to consider the possibility of education for management it certainly never occurred to him that the universities might help. The universities were too remote from the needs of industry, he considered, and only businessmen could train businessmen, as only doctors could train doctors. Certainly he was right in thinking that the Commerce and Applied Economics Degree Courses had been of little help to him in providing men with some start on the way towards development for managerial posts. The first syllable in management is man and the first need in management studies is to cultivate a sensitiveness as to what the other fellow is thinking and to grow a sympathy and awareness of what "makes him tick". Nothing could be less calculated to achieve this end than a course in commerce or economics — a course which largely featured that mythical figure "the economic man" whose actions were entirely conditioned by the size of his pay packet! The post-graduate courses in industrial administration were also, perhaps, too heavily biased on the economics side, and the idea of management as a practical art rooted in the main in the social sciences and with a technique of its own was still far to seek. There was, in fact, a tremendous gap between what business needed in the way of education for management and what the universities, had they thought about it at all, would have said was needed.

Another reason why the universities were left out was that the demand came at a time when they were singularly ill-equipped to meet it. The Departments of Commerce and Economics had virtually suspended their activities during the war and the staffs of these Departments were still serving in the Fighting Services, the Civil Service and other wartime occupations. Perhaps this was fortunate because it prevented the universities from digging out their pre-war commerce and applied economics courses and offering them to industry as meeting the need or, at best, attempting to meet it by a modification of such courses.

Fear of a Lowering of University Standards

The third factor in the situation was the attitude of the universities themselves. There was no general agreement that administrative studies, in the sense of a vocational training corresponding say to the training of a doctor, ought to find a place in the university curriculum; and while this view is now contested by some inside the universities it is still widely held. It may be worth while, therefore, to consider this obstacle to the establishment of administrative studies in the universities of Britain (and other European countries as well) in the light of experience in Canada and the United States.

The objection to management studies is part of a wider fear that vocational subjects, if introduced in the universities, will push out the humanities and result in a lowering of standards. In theory there is no justification for this view. The student does not have to be troubled with much of the clutter from the past which forms the apparatus of the conventional liberal education. Provided that vocational subjects can be studied at a level, and in a way that develops the mind, the judgment and the character of the student, it is an advantage rather than a disadvantage that they are "useful" subjects. In practice, however, the fear of a lowering of standards has some justification and I am bound to say that my experience of some universities on the North American continent has led me to regard this objection with more respect than I should otherwise have done. While I saw much that was admirable in the universities of Canada and the States, I also saw enough that was not — catch-penny courses, for example, designed to turn out men who have learned techniques of immediate value to their prospctive employers.

Nevertheless, it is one which has to be faced and one which can be overcome, as Canadian experience also shows. It has always been the business of the universities to train professional leaders and as technological and other changes bring about the rise of new professions it is their clear duty to review their arrangements in order to meet the changing needs of the society they serve. There is, in fact, a far greater risk of lowering of standards of professional education if the universities fail to meet the need and the newer professions have to turn to institutions other than universities for their education; for these other institutions, without the resources and the traditions of the universities, are less likely to succeed in basing a liberal education of university status on the subjects they set out to teach.

Objections to Administrative Studies

The opponents of administrative studies in the universities put forward special arguments against this form of vocational training. They say that there is no organized body of knowledge relating to administration which can be taught and which constitutes a satisfactory intellectual

discipline for a man of university calibre. They point to the voluminous literature on the subject, mostly studies of practical techniques, descriptive rather than analytical, and lacking in depth and theoretical content. On the principle therefore that what matters is not what is studied but how it is studied, the universities stand by their traditional arts subjects as superior for developing the qualities required in the administrator. They point out that a good liberal education can give that rounded and balanced mind, that sense of history and perspective, that social sympathy and insight which the leader needs. Humanistic and cultural studies develop clarity of thought and critical judgment — all essential qualities in the administrator. The most important thing in training the administrator is to develop the *qualities* needed for administration; the *knowledge* required can be picked up afterwards by experience and by reference to the literature in this field. It is argued, therefore, that the man aiming at managerial responsibilities would certainly spend his time better on established humanistic and cultural studies than on the assimilation of the great mass of ill-assembled and undigested descriptive material which forms the basis of a course in business administration — material useful enough for reference but incomplete and unsatisfactory as a basis of a liberal education.

What answers does North American experience provide to this objection to business schools? There are two. The first is that some of the poorer first degree courses in business administration amply justify this criticism and that education for administration would be greatly advanced by the abolition of such courses and by their replacement by a good old-fashioned arts degree course. The second is that the critics clearly have no conception of the tremendous advances which have been made in the better courses in business administration, especially some of the graduate courses — courses which have not only been outstandingly successful in imparting knowledge of business methods and institutions but, much more important, at developing qualities of leadership and social responsibility. Such courses provide an education of the most liberal kind in the context of a modern industrial society and its needs. They show that the subject of administration is as wide as human experience and give the lie to the view that it need be a mere technology of accountancy and office practice with an unpleasantly commercial flavour.

The danger of management studies taking this form lies with neglect by the universities themselves, who alone have the resources and the experience to conduct the necessary research and record and develop a new system of higher education for the new profession of business administration. A university which offers vocational training for lawyers, clergymen, doctors, teachers, engineers, farmers and so on, but provides no specific training for men who are seeking a career in industrial management has not yet caught up with the Industrial Revolution.

Lessons for Britain from Canadian Experiences

The great variety in standards and approach to management education in Canada and the States provides a most interesting and instructive field for review. Under the name "business school" there is every kind of institution from the glorified technical or commercial school providing narrow specialized courses not worthy of inclusion in the curriculum of a reputable university to the first class centre of teaching and research fit to be compared with any university in the world. It would be wrong to be too dogmatic about the right lines of future development of management studies, but the following seem to be the main lessons to be learned from a study of management education in Canada and the United States.

(1) If business administration is to be taught with sufficient depth and theoretical content it must be built up on a whole range of existing disciplines and supported by intensive research in the practical world of business. The principal theoretical contributions come from other disciplines, especially sociology, psychology, law, economics and political science, and administrative studies cannot flourish in any institution where these basic studies are not undertaken. For these reasons it would be a fundamental error not to look to the universities of Britain for the great expansion of business training facilities which must now take place.

(2) Business administration is an area of study in its own right and it will not do, despite the jealousies of existing faculties, to organize existing courses in psychology, economics, and so on, in a particular pattern with perhaps a "business" subject thrown in grudgingly and contemptuously as a bait to those looking for something "useful" — and claim that thereby education for business has been provided. The need is to bring the researchers and teachers from the appropriate related disciplines together so that in the setting of the business school itself they may find the common ground from which really relevant research can be undertaken towards the emergence of a completely new subject of "administration" and the development of first class administrative education. The lesson to be learnt in this connection from American experience is that the work of the business school will suffer if, in the attempt to provide practical down-to-earth business training, it isolates itself from the faculties in the university concerned with the basic related subjects and fails to take advantage of the experience and research done there while building up a new structure of management education. It is a fair comment on some of the poorer American business schools that nothing of university standard is taught there which is not available in other departments of the university and is better treated there.

(3) The emphasis should be on business administration as a *social* science and art rather than as a branch of applied economics.

(4) University courses in industrial administration should not be provided at the undergraduate level, at least at the present stage of development in Great Britain. There is no necessary antithesis between the liberal and the vocational in education; vocational education can be made liberal, given the right approach, and if the subjects taught are useful it should be counted as an additional merit. But the immaturity of the undergraduate, the need for highly skilled teaching in order to get sufficient depth and theoretical content into a subject still largely to be developed, and the paucity of teachers of business subjects able to provide teaching of this order, all point to the advantage, for the present at least, of concentrating business education at the graduate level following on a first degree course in arts, scientific or technical subjects.

(5) University courses in business administration should be provided at the graduate level. Much more satisfactory work can be done at this stage than at the undergraduate level. Students who have graduated in the humanities, science and technology, can come together and enrich the study of business administration by their variety of backgrounds. The quality of the work will be further raised if it is found possible to enrol a proportion of more mature students who have had some practical experience in industry — not necessarily but preferably in a junior executive position.

(6) Much closer co-operation should be developed between the universities and industry, both in respect of research and teaching. The universities will have to have access for research purposes to the experience and data of business, including much which has not hitherto been disclosed. Some interchange of staff between the universities and industry would be invaluable; the teacher with an academic background has much to learn from the businessman and vice versa. There must also be co-ordination between the university courses of business administration and the training of young executives within industry.

(7) The universities should not confine themselves to degree courses. There is a need for short courses in the various university centres of Great Britain of two to three months' duration for middle-grade executives, aged say between 35 and 40, on the lines of the Harvard Advanced Management Programme and the Management Training Course of the University of Western Ontario. The provision of such courses would supplement what is already being done in this area by the Administrative Staff College. The contact provided between the business schools and men with experience of the management role in industry would be an enriching experience both ways.

(8) The objective of administrative studies should be to develop administrative *skill* in the use of the techniques and methods of operation of management as well as to impart a *knowledge* of these practical techniques. The teaching of the art of administration as distinct from the imparting of knowledge calls for a radical break with traditional teaching methods. It will be folly in this connection not to begin from the point which has been reached in the Harvard Business School, where an open-minded critical approach to the problem over nearly 50 years, backed by very great resources, has evolved a unique philosophy, a concept of administration as centering on the decision-making process, and a most valuable tool — the case method of instruction—designed to develop skill in making decisions and in coping with the practical job of working effectively as a manager in industry. In Canada, the University of Western Ontario has, with conspicuous success, drawn freely on Harvard experience and there is no reason to believe that other British universities would fail to profit by doing likewise. On the contrary, if they fail to do so they will miss their opportunity of catching up on their years of neglect of this subject.

The Present Stage of Management Studies in the British Universities

This article would leave a wrong impression if it did not include an account of developments since the war in the British universities. These must be viewed against the background of social and educational change which has occurred. Before the war nearly all students who came to the universities had to pay their way. Poverty was, in general, a bar to higher education in Great Britain. The standards of entry were not high and a university course was possible for most of those whose parents could afford to provide it. This has been changed. The qualifications for entering a university are now intellectual rather than financial. Moreover, the university population has vastly increased. The result is that an increasingly high proportion of the more intelligent youth of the country is now entering the universities.

This has important implications both for the business community and the universities. Business can no longer expect to recruit at school-leaving age bright boys who will provide the managers of the future; these are being creamed off by the universities and industry will need to recruit more graduates than ever before if it is going to maintain, let alone increase, its standard of management. The universities for their part are beginning to realize they are now catering for large numbers who do not want to be scholars or to enter the older professions of the church, law, teaching, etc., and that they must make some provision for their needs. This situation, presenting a fresh challenge to both the

business community and the universities, may indeed provide the required impetus towards a new approach to education for business in the British universities.

Undergraduate Courses

Meantime, a number of rather limited and experimental schemes are afoot. Subjects relevant to business administration are now offered in the courses leading to a first degree in Engineering in many of the universities. For example, students in the Faculty of Engineering in Glasgow University must select at least one "additional subject", of which there are fifteen, mainly technical, but including Engineering Economics, Engineering Production and Industrial Psychology; in the University of Edinburgh a course on The Organization of Industry and Commerce is taken by all students reading for the degree of B.Sc., in Mechanical Engineering, Technical Chemistry and Mining; at Leeds all students for the B.Sc. in Engineering must take a course of Applied Economics, Production Engineering and Administration; and so on. This kind of arrangement is extending and undoubtedly is useful in broadening the education of the technician who is more likely to find himself in industry as a factory or colliery manager than as a back-room technician. But it will be a great mistake if the universities expect too much of this method, based on a course of lectures largely descriptive of practical management techniques, fitted in rather on the edge of the main work of a first degree course lasting three or four years.

Some of the courses leading to first degrees in Economics, Commerce and Social Studies similarly offer subjects claimed to be "within the field of education or training for management" as a relatively small part of the course. As has already been argued, the merits of this kind of arrangement are open to doubt as a preparation for management responsibilities in industry.

Post-graduate Courses

Post-graduate courses in Business Administration were available pre-war in the Manchester College of Technology and the London School of Economics. The latter course has been criticized as treating the subject of Business Administration as rather akin to a conventional degree in Commerce. Whatever validity this criticism may have had in the past, this course now provides an example of the best work being done in business training in the British universities. It is a one-year full-time course for graduates, but non-graduates may be admitted if of a sufficiently high standard of education, if they have had not less than three years' practical experience in business, during which they have held positions of some responsibility, and if they are at least 25 years of age. The curriculum of the course includes Business Administration in the light of economic analysis, Management Accounting, Business Finance, Labour,

Manufacturers' Cost and Marketing Problems, Distributors' Cost and Marketing Problems, Business Statistics, Market Research, and Problems in Industrial Administration. Teaching is mainly by discussion classes rather than formal lectures, and is based on material drawn from the actual problems and practice of business, supplemented by visits to factories, shops and offices. A feature of the course is a weekly session, taken usually by an administrator from industry or the public service, who provides in advance a paper on some practical aspects of administration for discussion by the class. This method is building up a valuable body of material for the use of the Department of Business Administration.

The Department of Production Engineering in Birmingham University now offers a one-year post-graduate course on similar lines. This course has been endowed by a Birmingham engineering firm and is primarily for graduates in science with satisfactory industrial qualifications. The Royal Technical College, Glasgow, an institution of university status affiliated to Glasgow University, has set up in recent years a one-year post-graduate course in Production Engineering, and a one-year's Works' Management Course open to graduates with industrial experience, or non-graduates who can show by professional qualification or otherwise that their academic standing is satisfactory. These courses consist in the main of a series of lectures on such subjects as Job Evaluation, Time Study Principles and Practice, Stock Control, Personnel Administration, Cost Accounting, etc. Students taking the latter course are required to spend two four-week vacations in industry to try and solve an industrial problem.

Compared with the corresponding provision in Canada and the States it might be said of such courses that they are good in parts. The author's personal criticisms are that there is an attempt to cram far too much descriptive detail into the courses and that little or no attempt is made to develop skill in using the knowledge which is provided. In fact, the courses are based on the assumption that the role of the university is to provide knowledge about industry and its methods and that the development of the ability to use this knowledge as an administrator coping with a practical situation must be done on the job. The point has been made earlier in this article that the effect of this approach means that the evil of unsatisfactory management development on the job is perpetuated and that the university courses in management subjects fall far below the level they could reach if directed, as well as to imparting knowledge, to the development of character, leadership, executive skill and social conscience.

Conclusion

A healthy feature of the situation is that the universities are now beginning to abandon their isolationist attitude, and very limited though

the provision still is in relation to need, experiments are being set going and the trend is for more to be done year by year. The facilities now available in Britain, like those in the Business Schools of Canada and the United States, vary greatly in quality and approach: the worst in Britain are probably better than the worst in North America; the best in Britain are certainly less good than the best in North America. I have no doubt that what must emerge from the present limited approaches to, and fastidious withdrawals from, business training in the British universities will be a full acceptance of the role which the universities must play in an industrial society of the 20th century; and that in the present context of world affairs the lessons to be learnt in Canada and the United States will not pass unheeded.

Tradition in British Business - Right or Wrong?

"The City, the business centre of London, is being rebuilt—not only in its financial mechanism but in bricks and mortar. The wide open spaces torn by bombing are at last being filled. Some reconstruction has already been done, especially round Lombard Street and Mincing Lane. A great deal more is under way. To tell the truth, it is a depressing sight. By and large, they are rebuilding the City in a style that was called modernistic when Queen Victoria died. It is sad to see an historic opportunity missed for the second time. After the First World War the City was stuffed with dull, pompous fake classicism. The architects of that age scattered pillars high and low to hide their inability to handle space. A plainer, more insipid style is being used today. With few exceptions—and it is fair to say that only part of the rebuilding work can be seen so far—the new office buildings are ordinary, undistinguished, and apparently not even efficient.

"This hankering after the past is not merely dull; it is ominous. Appearances are not always deceptive. When I hear that the head of a great organization insisted on plans for its offices which would fit his beloved Hepplewhite desk I wonder how sound his policy is likely to be. And the protests aroused by one of the few interesting buildings proposed for the City because it is to be 27 storeys high make me uneasy. The spirit which has in the past resisted automatic looms, conveyor belts, diesel engines, and mass production methods will always command sympathy. But the business of the City is not to look back; it is to be ahead of powerful competition.

"Tradition is the City's strong suit; but it can hide stagnation."

—Richard Fry in the Manchester Guardian Survey of Industry, Trade and Finance, 1955.

More Trade Through World Trade

In his C.M.A. 1955 Convention address, Trade Minister Howe emphasized:

"Steady pressure for liberalization of international trade contributes to a steady rate of economic growth. There are those in all countries who would turn back the clock towards restrictionism whenever the going gets a bit rough, yet neither government nor industry can afford to blow hot at one time and cold at another when it comes to the promotion of trade. There must be steady pressure in the direction of more trade if the best results are to be attained. Canada by itself cannot determine the trade policies that will be followed throughout the world. However, let us not make the mistake of underestimating our own influence. We are the world's third or fourth trading nation and many countries are anxious to build up their markets in Canada. Trade is a two-way street for them, as it is for us. Nor should we make the mistake of assuming that Canada is fighting a lone battle for liberal trading principles in international trade. This seems to be a popular notion here in Canada, but it does not truly represent the position. The cause of freer international trade has gained many adherents in recent years and is today stronger than ever in the world as a whole.

"The free world made a bold effort at the end of the war to reconstruct world trade on a sound basis, through the General Agreement on Tariffs and Trade. When we remember the trade chaos of prewar years, the GATT was indeed an ambitious venture. Now that dollar shortages are fast disappearing and competition is re-asserting itself on a world-wide scale, the GATT is, in a sense, getting its first test. And the evidence suggests to me that it is standing up pretty well. The member countries are not resorting on a broad scale to their rights to withdraw tariff concessions granted in the postwar period. Quantitative restrictions and discriminations are, in fact, being removed by countries as they get out of dollar difficulties, perhaps not as quickly as we would wish, but nevertheless they are being removed fairly steadily. In most of the principal trading countries there is today a strong bias in favour of the kind of trade rules that the Government of Canada has been advocating. There is no reason for pessimism about world trade prospects. On the contrary, a solid foundation has been laid for further progress. We may have a long way to go, but we are moving forward, not retreating."

Uranium - What are the Odds?

Uranium, some say, has replaced gold both as attraction to speculator and as spur to prospector. Those putting their money on it should, however, bear in mind that of 4,000 companies incorporated in Ontario to mine gold, only 200 have produced any, only 73 made enough profit to pay mining tax, only 51 paid any dividends and only 35 (less than 1%) paid as much in dividends as was spent to bring them into production.—Interim Report, Ontario Gold Mining Committee.

Do Canadians Want Free Competition?

Jack C. Curry and Ross E. Smith

How much should the government interfere in our much vaunted free enterprise competitive business world? Should the Canadian Government defend merchants against themselves and legislate against cutthroat competition through price cutting and "loss leader" selling? In Canada, unlike the U.S.A., there is a "free-for-all".

On January 1st, 1952, a recommendation submitted by the MacQuarrie Committee was made law and the much discussed Section 34 of the Combines Investigation Act rendered illegal all resale price maintenance — whereby the manufacturer sets the retail *price for his product and forces retailers to comply by refusing to supply any retailer selling below this figure.*

The Restrictive Trade Practices Commission, after three years of hearing evidence from all parties and provinces, from consumers, retailers and manufacturers, on April 20th, 1955 recommended no government interference. "Competition is the regulating factor in a free economy, operating in the public interest." Here are some interesting facts and views researched from the 7,000 pages of Commission evidence by two Western graduates specializing in marketing.

PRIOR to 1952 and the abolition of resale price maintenance, stores fixed prices in relation to the price at which the manufacturer stated his products *must* be sold. Suddenly, in 1952, all Canadian retailers were given the opportunity to set *their* own prices on a product with no fear of retaliation from the manufacturer. Thus, the Combines Investigation Act, Section 34, initiated a complete reversal in the field of retail pricing, and the Canadian retailer now asks himself: in the light of the market, competition, and like factors, what price should *I* set on the product?

As Canada began to change from a sellers' to a buyers' market in the opening months of 1952, two extremely important factors became apparent: first, manufacturers resorted to the setting of "suggested" retail prices after the enactment of Section 34; and, secondly, the "discount house" was born, as retailers took advantage of their new right to sell at prices below the "suggested" figure.

The "loss leader" problem became real: more and more devices were used to attract customers, and large price reductions on popular products offered to entice the consumer through the doors. On occasion, items could even be sold below cost, in the hope of creating high volume for *all* lines carried.

As the shift from buyers' to sellers' market continued into 1953 and 1954, more and more retailers began to sell below the suggested price. Many "old guard" merchandisers elected to adhere steadfastly to the price recommended by the manufacturer — and lost business to the "discounters" as a result. The loss leader problem became a burning issue.

Restrictive Trade Practices Commission

On the MacQuarrie Committee's recommendation, the Restrictive Trade Practices Commission was appointed to investigate the alleged loss leader problem, and to recommend any changes, if deemed necessary, in the Combines Investigation Act. Its chairman was C. Rhodes Smith, Q.C., former attorney-general of Manitoba and the other members, Guy Favreau, Q.C., and A. S. Whiteley. This Commission's inquiry was launched in November of 1952 and completed early in 1955.

Retailers are already partly protected by the Criminal Code, Section 498, which makes it a criminal offense deliberately to cut prices for the sole purpose of luring patronage away from competitors, thus eliminating competition by eliminating the competitor. But at the hearings of the commission, many retailers and manufacturers wanted far more help from the government, especially in regulating the alleged Canadian loss leader problem.

What Is a Loss Leader?

There is however no general agreement or legal definition of a "loss leader". To Canadian manufacturers and to most trade associations—the voices of the smaller, and usually independent, retailers—a loss leader is any item sold below the "prevailing price", or without a "normal profit". On the other hand, many larger retailers and all discount houses unanimously hold a loss leader to be a product sold specifically *below landed cost.*

What a small retailer terms a loss leader is thus far removed from a large store's conception. Accordingly, the "larger" stores, while possibly underpricing the small retailer, are not "loss leadering" in terms of their own definition. Canada Safeway Ltd.,[1] for example, has been continually accused of using cigarettes as "loss leaders", as also have Loblaw's, the A & P and Dominion Stores. Yet Safeway, concerned

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[1]Transcript of Evidence, Restrictive Trade Practices Commission, Vancouver Hearings, Volume 16, July 6, 1954.

over any cutting of a net profit, after taxes, of only 2.9%, categorically states, as do Canada's other main grocery chains, that no product shall ever be used as a "loss leader".

Is the "larger" store really "loss leadering", as the accusations state? Or is it earning a normal profit, as it maintains? Retail selling prices for cigarettes per carton of 10 packages are $2.95 in Safeway, $2.99 in A & P, $3.09 in Loblaw's and Dominion Stores, while the normal retail price is $3.30. The Imperial Tobacco Company's wholesale prices are $2.69 to jobbers and $2.80 direct to retailers. The jobber in turn sells to his retailers at $2.91 per carton. Hence, the consternation of a retailer who has *paid* $2.91, seeing a chain selling for $2.95! Due "to an old Spanish custom", the grocery chains and some others with warehouses are able to buy at the $2.69 jobbers price, rather than the direct retailer price of $2.80. A comparison of mark-ups thus becomes:

	Safeway	*Small Retailer*
Cost	$2.69	$2.91
Selling	$2.95	$3.30
Gross	$ .26	$ .39
G.M.%	8.8%	11.8%

From the above, one of the major problems is clear — that of defining a loss leader.

Manufacturers' Views

Evidence before the Restrictive Trades Practices Commission shows one Canadian manufacturer[2] remarking "In an extreme case, if a merchant wants to give something away, why should the government intervene? There is nothing in the loss leader question that should interest the government at any level." There are many other manufacturers who agree, partly because a surprisingly large number of products are unsuitable as loss leaders — lacking the three generally accepted requisites of an *effective* loss leader: general public recognition of the normal price, widely advertised, and either branded or of known value and quality.

The majority view of Canadian manufacturers, however, especially of those whose goods are suitable loss leaders is that of the powerful Canadian Manufacturers' Association which wants government legislation re-introduced to curb "predatory price cutting".[3]

A spokesman typical of the C.M.A.'s viewpoint to the Restrictive Trade Practices Commission, for example, was the Canadian company most concerned with the loss leader situation — the Canadian General

[2]Ibid., Montreal Hearings, Volume 11, June 10, 1954.

[3]Ibid., Ottawa Hearings, Volume 1, May 19, 1954.

Electric Company,[4] whose Featherweight Iron, Electric Kettle, Floor Polisher and Automatic Toaster have probably been the most famed loss leaders in Canada. For example, the company alleged that in April, 1954 the Danforth Radio Company in Toronto bought 833 C.G.E. floor polishers, 629 of these from a Toronto G.E. wholesaler for $35.43 each. The advertised selling price for all 833 polishers was $33.85—not only below the suggested retail price of $54.50, but also below the purchase cost of at least 629. All 833 polishers, more than the number sold by *all* the retailers in Toronto in a month, were sold in 4 days.[5] The Danforth Radio Company's $33.85 selling price was noticed by the New Era Home Appliance "Supermarket"—a so-called Discount House, the most open exponents of price cutting—and, rather than be undersold, New Era offered 100 floor polishers at $32.85, $22.00 below the suggested price.

In the view of C.G.E., this type of competition forces the small retailer to sacrifice his sales, "so that a few predatory price cutters can increase their sales 100 fold"—and eventually places a national dealer arrangement in serious peril. He is further injured through being regarded as a high margin outlet by his customers and his sales of *all* products fall seriously.

Furthermore, the manufacturer is hurt as retailers unable to compete in price cuts cease to handle the C.G.E. lines. A series of letters from retailers on the Canadian West Coast was presented to the Commission, most saying they "could no longer carry the C.G.E. line because Wosk's, a Vancouver cut rate appliance outlet, had offered to ship goods anywhere in the province for $.50, and his selling prices were comparable to our cost prices from wholesalers"—and Wosk is "not an efficient low-cost retailer, with his expenses being at least 33 1/3% of his purchase cost". The C.G.E. also claimed that a manufacturer's good name and reputation were hurt; that most consumers cannot believe that a discount house or other retailer will sell items below cost and that "the Toronto Home Appliances Ltd., advertising G.E. electric kettles in the Toronto Telegram (May 1954) for $6.95, actually paid $7.50 for them"; and that the consumer begins to think the manufacturer has cheated him over the years. Since regular retailers no longer promote the loss leadered G.E. lines (and Simpsons Ltd., Lindsay's and many large hardware stores have adopted this policy), the company felt itself "heavily penalized by Section 34 for doing a good job in producing quality products and gaining consumer acceptance for them across Canada";

[4]Ibid., Toronto Hearings, Volume 6, June 3, 1954.

[5]When giving evidence, the Manager of CGE's Small Appliance Department was unaware that the CGE wholesale division had allowed Danforth Radio Co. a "special promotional allowance" of $1,471 for the period of the sale, which in fact enabled Danforth to make an overall profit.

the right to price had been taken from the manufacturer and handed to any store, which actually cares nothing for the product itself. And if the company were smaller, it would perhaps be vulnerable to what happened to the Ingersoll Watch Co. in the United States, finally forced out of business because a large department store had sold the firm's famed $1.00 watch as a lure to get people inside the store at a price of $.57 and others followed suit, thus forcing weaker retailers to drop the Ingersoll line.

The consumer, too, suffers in the long run, according to C.G.E. evidence, because loss leaders nullify the need for creative selling, and hence the development and public acceptance of new products. Various solutions to the loss leader problem were suggested by C.G.E. such as a law disallowing trade or brand names to be mentioned in cut price advertising; solutions akin to the Commodities Minimum Loss Act of British Columbia; a proposal that a manufacturer should be allowed to determine when a product is being loss leadered, and should be allowed to cut off a dealer; and the restoration of resale price maintenance or a "legal enforcement of a minimum markup over cost".

Retailers Resent Competition

Most smaller retailers have always been opposed to any form of price cutting by competitors. The arguments presented to the Commission nearly always centred around the premise that the larger stores are trying to eliminate the smaller ones by cutting the prices of a series of items upon which the small store is more wholly dependent: the small independent enterprise of lower volume must sell all or most of its products at a profit, while larger stores can afford to loss leader a few items, and maintain the needed volume in other lines.

The Retail Tobacco Association of Quebec,[6] where cigarettes were often sold below the "normal" 37c figure (33c plus Provincial Sales Tax), stated: "Government Purchasing Boards in essence not only guarantee the farmer a customer but also guarantee him a selling price. Import duties are a form of government subsidy for Canadian manufacturers to enable them to compete against low-cost American mass producers. Subsidies have been placed on gold, and preferential freight rates are granted Canadian coal. Minimum wage laws are a form of price maintenance for the labourer, while the moratorium on farm mortgages saved many farmers from ruin. But nothing has ever been done for the retailer, and the (loss leader) situation (in cigarettes) has reached the point where something *must* be done for him."

(Something was done for him in November, 1954, when the Quebec Provincial Government took upon itself the "unofficial policing of

[6]Ibid., Montreal Hearings, Volume 8, June 7, 1954.

provincial cigarette prices by various "unofficial" means. Whether this resulted from Premier Duplessis' desire to help the small stores selling cigarettes or his desire for the revenue from the provincial sales tax (reckoned as a percentage of the selling price) has been debated, but the fact remains that in Quebec *all* chain super-markets and other "offenders" now sell for 37c.)

The Toronto Retail Tobacco Association[7] again accused Loblaw's, the A & P, Dominion Stores and Tamblyn's Drug Stores of using cigarettes as loss leaders in order to increase their sales of other lines, thus causing injury to all the tobacco stores in Metropolitan Toronto. The Association contended that the universal loss leadering of cigarettes is extremely serious, due largely to a "discriminatory" pricing policy on the part of the manufacturer.

The Canadian Wholesale Hardware Association[8] stated that the small hardware dealer was hard hit, and "it is our considered opinion that the Law of Canada should allow the manufacturer of a . . . nationally advertised product to establish and maintain resale prices in such products".

The Canadian Retail Hardware Association[9] also presented a series of advertisements from Toronto papers to prove their point that many stores advertised at cut prices—and presented a series of figures showing a slight but steady sales decline as the result. This view is typical of all those retailers who would not or could not cut prices. They claim that the only advantages of loss leader selling are the occasional real bargains obtained by consumers, and the volume built up by a few stores, far outweighed by the disadvantages to the retailer.

Like the manufacturers, the retailers also spoke about consumers. The disadvantages of price cutting to the consumer are alleged to be tremendous. The bulk of brand name goods will become concentrated in a few large outlets, and consumers situated away from these outlets will suffer; poorer quality merchandise will be marketed since the loss leadered branded items will be concentrated and only available at the largest retailers. Lastly, many consumers are hurt simply because many cut price offerings are "phoney".

The hardware retailers' concluded: "We believe that loss leader selling is a prevalent and intensifying merchandising practice which threatens the survival of many dealers in the hardware trade . . . and this Association is of the opinion that it would be in the public interest

[7]Ibid., Toronto Hearings, Volume 3, May 31, 1954.

[8]Ibid., Toronto Hearings, Volume 4, June 1, 1954.

[9]Ibid., Ottawa Hearings, Volume 22, September 15, 1954.

to rescind Section 34 of the Combines Act, restoring resale price maintenance."

Consumers' Views

Manufacturers, small retailers, and large retailers of the "old school" are thus bitterly opposed to the current freedom to cut prices, and presented numerous arguments in their support to the Restrictive Trade Practices Commission.

Others, however, presented views that prices "suggested" by manufacturers are too high. Why should laws prevent an efficient retailer lowering his prices, if he can still maintain a reasonable overall profit? The Canadian Association of Consumers[10] felt that the alleged loss leader problem has been exaggerated and that the small retailers' fear that large organizations might deliberately try to put them out of business is covered by Section 498A of the Criminal Code.

"Loss leader, as a term to be applied merely to the willingness of a retailer to take a smaller unit profit in exchange for a larger turnover, represents to us a legitimate business practice offering legitimate advantages to consumers of which they should not be deprived."

Why only ask for government protection against price cutting? "We hear no voices raised to ask for protection against service competition or other forms of competition such as quality. The government is never urged to put a floor on other types of sales challenge."

In referring to the problem of the small tobacconist in competition with chain stores, the Consumers' Association gave evidence that in the majority of cases the larger outlets were not selling below or at cost, but were merely benefitting from their ability to take smaller profit margins—as a result of large volume of sales and favoured prices from manufacturers: that attempts on the part of small retailers to obtain the same favourable prices had met with failure; hence the manufacturer is a strong contributing factor in the plight of the small tobacconist.

From the consumers' viewpoint as represented by consumers, there is thus nothing in the present situation to merit government intervention.

Discount Houses Prefer Freedom

This view of the consumers was fully supported by the discount houses, who welcome the opportunity to reduce prices. Giving evidence

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[10]Ibid., Montreal Hearings, Volume 10, June 9, 1954.

for this group was Mr. Eddie Black,[11] owner of one of Canada's most famed home appliance outlets, on record as being a "cut-price store, 25 years in the business". He saw no reason why a dealer should not sell a product at a loss if he so wishes—"It is a dealer's right under a free enterprise system, and there is no desire to forfeit this inherent right to a government body by reason of legislation; every effort should be made to preserve the right of the dealer to carry on his business as he sees fit—whether for profit or loss, or in any manner he thinks most desirable."

"Loss leader selling is a minor evil of free enterprise, and is preferable to government control of prices. The greater evil is fraud and misrepresentation through advertising," and Mr. Black listed 5 main abuses:

1. The "Nailed Down" product which is never intended to be sold but advertised in order to attract customers who are then sold other models by high pressure salesmanship.
2. The unscrupulous and despicable practice of a dealer working one brand name against another.
3. Advertising fictitious prices—"Formerly $500, now $299", without mentioning that the model may be two years old and had a pre-budget sales tax included.
4. Fraudulently advertising obsolete models as current models.
5. "No Cash Down" approach, where a private finance company eagerly awaits the unsuspecting customer.

If Canada must have government controls, opined Mr. Black, they should be directed to the above "unethical price cutters". "Ethical cut-rate houses" reduce overhead, buy on a carload basis from the manufacturer, sell mainly on a cash-carry basis and pass the resultant saving on to the consumer. Figures indicated that the additional discounts received from the manufacturer were sometimes equal to, or in excess of the normal margin of profit of the "average" retailer. Because of their large volume of business, cut-rate houses help the manufacturer in moving large quantities of inventory or declining models—and the consumer benefits. In Mr. Black's opinion, many retailers refused to make the adjustment from a sellers' market, and their adherence to sellers' prices have cost them sales to the discount houses — and this new type of retailer, who has made the required adjustment, has profited.

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[11]Ibid., Montreal Hearings, Volume 5, June 2, 1954.

New Era Home Appliances Ltd.,[12] another Toronto discount house, stated that manufacturers' suggested selling prices varied from 33 1/3% to 50% over cost, yet New Era made satisfactory profits on a 17% markup. Sales below cost are extremely rare, having occurred once in a price battle with another cut-rate house, and once when their low cost supplier could not provide enough of a product, and they were forced to buy at a higher price yet sell at their advertised sale price—however an overall profit was made.

New Era also pointed out that Toronto newspapers have begun checking on advertising, and if a retailer's products were not equal in quality or quantity to his advertisement, suspension from the papers' advertising facilities resulted.

New Era, although a cut-rate house, agreed with the resolution of the Toronto Retail Appliance Dealers:

> "It is the opinion of the dealers, where list prices are too high, that the manufacturers immediately adjust their suggested list so as to bring back to the buying public some semblance of value, so that cut-price dealers cannot show such a difference between the manufacturer's list price and their selling price."

Conclusion

Since 1952 selling below the retail price suggested by manufacturers has become general in Canada and is no longer confined to discount houses. Price-cutting is however mainly concentrated in three fields, home appliances, cigarettes and groceries. Selling below cost is extremely rare.

The Restrictive Trade Practices Commission took note of the crumbling of the United States Fair Trade system of resale price maintenance, under the weight of the spectacular rise of American discount houses. After gathering 7,000 pages of evidence, it announced on April 20, 1955 that Canadian manufacturers and retailers who have complained of the evils of price cutting will have to adjust themselves to the disappearance of the postwar sellers' market. It recommended no legislative action to curb the practice, as "competition is the regulating factor in a free economy, operating in the public interest". The Commission's report did however draw attention to Canadian legislation already in existence to prevent deceptive advertising and expressed the commissioners' surprise that so little use had been made of it.

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[12]Ibid., Toronto Hearings, Volume 6, June 3, 1954.

The Retail Merchants' Association immediately recorded its disagreement with the Commission's recommendation of no action, and claimed that loss leader selling—"strangely quiet during the hearings"—will come back stronger than ever. But will not all consumers really gain?

Why We Are Losing the Atomic Race

"While the West obviously has not understood that scientific and technological manpower is the most important commodity of this technological age, the Russians have. They have built up a balanced community of scientists and technologists and their annual output is now more than double that of the United States. Their quality does not seem to be inferior to that in the West and, if no serious changes take place very soon, the technological effort of the Communist countries will overtake that of the West within a decade or two. It would not be at all impossible for the Russians to capture the export market for nuclear power stations, and in this way greatly extend their spheres of influence . . . .

"For the under-developed countries nuclear power will really mean the ushering in of a new era. It will make industrialization possible by tending to equalize the cost of power over the whole world, and so enable industry to set up in places deprived of the conventional fuels. In highly industrial countries, nuclear power will not bring about such spectacular changes but it will give us the assurance that we are no longer dependent upon the dwindling stores of conventional fuels. It will eventually bring us relief from the drudgery in the mines, as well as from the dangers of air pollution. It will also offer great opportunities and vast markets for countries which have to live by their brain power."

—Sir Francis Simon writing on "Nuclear Energy and the Future" in the April *Lloyds Bank Review.*

Looking Ahead

In the fall issue of The Business Quarterly we plan to include, amongst others, articles from business, government, politics and university. From business, G. H. Guest and H. G. Kettle are writing on executive development at C.I.L. and Massey-Harris-Ferguson respectively. From government, C.B.C. chairman Davidson Dunton will outline television's impact on Canadian business and Dr. G. C. Monture government aid in the development of Canadian mineral resources. From the field of politics and labour relations, Dr. Eugene Forsey will discuss high labour costs. And from the University of Western Ontario, research papers will include a survey of the favourites of Canada's investment experts, financial analyses of some leading Canadian firms and another business biography—of Hugh Mackenzie of Labatts.

"What Are His Hobbies?"
A Study of Leisure-Time Activities

Frances Oxley, Arthur Guttman and Asa Knowles

What do people do with their non-working hours and their holidays? How do different Canadians spend their spare time? Are the differences typical enough to create special kinds of markets for leisure-time goods and services? These were some of the questions asked by this year's Marketing Research Class at the School of Business Administration, University of Western Ontario. In an effort to answer them the group conducted a door-to-door survey in the city of London, Ontario and on three separate Thursday evenings during consecutive weeks in November, 1954 the twenty students interviewed residents. By the use of a questionnaire a detailed account of how the non-working hours for the five days previous to the interview had been occupied was obtained from each person interviewed.

THURSDAY of each week was chosen for the interviews in order to ensure that both working and non-working days were covered. Activities on week-ends, for instance, may be quite different from those on the evenings of working days. Therefore, to obtain a complete picture it was necessary to include both in the period under study. It was also recognized that the time of year—November—would affect the types of activities reported and so, in addition to requesting a day-to-day account of leisure-time activities the questionnaire also asked for information about club membership, hobbies and other interests which occupied the time of the respondents throughout the year.

Characteristics of the Sample

A sufficiently large number of interviews — 136 acceptable completed questionnaires—was used in an attempt to ensure sample validity. The number is slightly below the 150 usually found necessary for stability of results but because of the great amount of detail obtained from each respondent the lower number was considered satisfactory. Sample proportionality by income groups was obtained by the use of a statistical economic breakdown of the wage-earners of the city of London as a guide. This was derived from the 1951 Federal Census as reported in the Financial Post Business Year Book for 1954. A map

of the city was divided into general economic divisions and random samples drawn from each. A comparison of the final income proportions of the study and an approximation of the actual breakdowns in the city, as determined from the statistics, is shown in the following table.

TABLE 1

Income	*City Wage-Earners*	*Leisure Time Study*
Group A ($5,000 and over)	10%	9%
Group B ($3,500 - $4,999)	25	27
Group C ($2,000 - $3,499)	55	58
Group D (below $2,000)	10	6

Because only one person who had a full-time job was interviewed in each home the sample consisted mostly of married working men. Only 8.2% comprised unmarried people and women. Also, almost three-quarters of the sample consisted of persons between 21 and 45 years of age. Such a heavy proportion of younger people no doubt explains the relatively large percentage (62%) which were living in homes with children under 15 years of age. It may also explain why age appeared to have no perceptible influence on the leisure-time activities of the group as a whole.

An examination of other characteristics indicates that 40% of the sample had attended high school, 20% technical school and 17% had been to university. In other words, although the population under study was made up of relatively young married men there was a good distribution of educational achievement in the group.

A wide range of occupations appeared among the interviewees but the most outstanding over-all breakdown occurred between white collar workers and production workers with 60% in the former and 40% in the latter categories. Professional people, executives and self-employed persons together made up over 75% of income Group A and nearly 50% of income Group B. White collar supervisors, salesmen and clerks were well represented in Groups B and C with 30% in each engaged in these occupations. Also, in Group C production workers, whether skilled, semi-skilled or unskilled made up 50% of the total. In the lowest income bracket—Group D—75% were production workers.

The ownership pattern which emerged from the sample was rather surprising in that it was relatively high throughout. Approximately 83% of the people owned their own homes, 80% owned cars and 60% owned television sets. The care and enjoyment of these goods naturally played an important part in the use of leisure time of the people in the sample. Some analysis of the influence has been carried out and is included in the discussion following.

Over half of the entire group worked between 5 and 6 days a week with the greatest number reporting 5½ days, while approximately the same proportion worked between 8½ and 9½ hours per day with the largest number reporting 9 hours. However, the lower economic groups worked, on the average, more days per week than other groups. In addition, production workers worked more hours per day and, on the average, reported 9 to 9½ hours despite the fact that several professional and self-employed people reported days of 10 or 12 hours.

Highlights of the Study

The activities reported by the respondents fell into the seven major categories: attendance at organizations, television watching, reading, entertainment of friends in the home, entertainment outside the home, family care (household duties, child care and home repairs), and hobbies.

An indication of the relative importance of all the activities appears in the table below.

TABLE 2

AVERAGE NUMBER OF HOURS* SPENT BY INDIVIDUALS IN LEISURE-TIME ACTIVITIES

During a Five-day Period

Activity	*White Collar Workers Income Group*				*Production Workers Income Group*			
	A	*B*	*C*	*D*	*A*	*B*	*C*	*D*
Organizations	2.5	2.0	2.1	2.0	3.0	1.0	1.5	1.5
T.V. Watching	4.4	6.1	6.9	10.0	10.3	7.8	9.2	3.2
Reading	5.6	3.0	2.0	..	5.0	2.5	1.8	2.7
Entertainment - In	1.8	2.3	2.0	..	..	4.3	2.0	.7
Entertainment - Out	3.4	5.0	6.0	4.5	1.7	2.8	3.7	2.3
Family Care	1.1	1.3	1.4	..	..	1.8	1.5	1.0
Hobbies	1.0	1.0	1.1	2.5	.7	.7	1.5	..

*The average number of hours for each group was calculated by dividing the total number of hours spent on the activity by the total number of people in each income group. It should be recognized that the method used results in an average which represents the group as a whole and not just those individuals in the group who participated in the activity. This method was employed because it was felt that it would eliminate to some degree influences of differences between individuals which have not been recognized or measured in the study. Further investigations of a more complete nature may reveal factors of importance which this study did not consider.

In different occupations and among different income groups television watching consumed the greatest average amount of leisure time of the individuals interviewed. On the other hand, the average amount of time spent on family care and hobbies was the lowest. Attendance at organizations, entertainment both in and outside the home and reading appeared in intermediate positions and varied in relative importance among different income and occupational groups.

Analysis of the data was based on four major criteria: income groups as outlined in Table 1; education with divisions along public school, high school, technical school and university lines; hours worked per day divided into groups of half-hour intervals; and days worked per week divided into groups with half-day intervals. White-collar workers and production workers were considered separately, with the conclusions made on a comparative and cumulative basis.

Education and occupation appeared to be the chief factors influencing the amount of time spent by individuals in different leisure time activities. Income played a rather dubious part with the relationships between the various educational and occupational levels and activities of the same group differing to a relatively large degree. Three possible explanations may account for the differences found. Not only is there a possibility that interviewers incorrectly judged the income of some of the respondents and thereby placed people (particularly production workers) in too high income groups but also the sample may not be adequately weighted with wealthy and poor individuals. However, there is a distinct possibility that income does not play a significant part in the formation of preferences for certain kinds of leisure-time activities. Only by a more complete and exact study can definite conclusions concerning its influence be determined.

Television Enjoyment

Because the watching of television appeared to be so important a special study was made of T.V. owners as a group (60% of the sample). It was discovered, as Table 3 shows, that over 35% of the total reported leisure time of these people was spent in this activity. Other activities of less importance time-wise but which consumed relatively large amounts of the non-working hours included entertainment outside the home, household duties and entertainment in the home. In fact, over 65% of the leisure hours reported were spent in the home by television owners.

An analysis of the ownership pattern of television sets indicates that 62% of Group B and 65% of Group C owned sets while only 42% of Group A and 37% of Group D owned them. On the other hand the higher income groups had owned their sets longer. Finally, the annual buying pattern of sets seemed to occur chiefly in the fall.

TABLE 3

TELEVISION SET OWNERS
SUMMARY OF ACTIVITIES IN A FIVE DAY PERIOD

2371 Leisure Hours

Activity	*Number of Respondents Reporting*	*Number of Times Activity Reported*	*Total Hours Spent in this Activity*	*Per Cent of Time in Activity*
Organizations	43	66	141	5.9
Radio Listening	11	18	36	1.5
Television (Note 1)	77	252	848	35.8
Reading	49	123	156	6.6
Home Entertainment	39	59	186	7.8
Outside Entertainment	59	98	392	16.6
Hobbies	24	35	80	3.4
Part Time Jobs	3	6	26	1.1
Shopping	35	49	100	4.2
Household Duties	76	154	213	9.0
Child Care	17	43	50	2.1
Overtime Work	14	25	69	2.9
Other	25	46	74	3.1
Total		974	2371*	100.0

Note 1. This figure does not include hours spent watching television while entertaining guests at home. See Table 4.

*If the total number of leisure hours reported (2371) is divided into hours per day per person the result indicates that each individual in this group gave details concerning the use of an average of 6 leisure hours per day. Only six hours per day including a week-end indicates that there was some amount of imperfect recall in the answers to the questionnaires. However, the differences found between various groups confirms the opinion previously expressed that this source of error did not invalidate the results.

Source: The table was presented in a student report on the study prepared by D. A. Ivison and J. C. E. Fuller.

"There is a popular notion that people watch T.V. more during the first few months of ownership than thereafter. Table 4 suggests that the opposite may be the case. At the time of the survey, television broadcasting had originated locally for only nine months. Conceivably, those who have owned their T.V. sets longest are the most ardent devotees, since these sets were bought, in most cases, before local broadcasts had become available. According to this thesis, later purchasers were possibly more influenced by social pressures."*

*D. A. Ivison and J. C. E. Fuller.

TABLE 4

TELEVISION SET OWNERS
LISTENING HABITS AND LENGTH OF TIME SET OWNED

Time TV Set Owned	*No.*	*TV Time* (1)	*Total Leisure Time*	*Average TV Time*	*Average Leisure Time*	*Per Cent TV Time*
				H O U R S		
3 Mos. & Less	20	183	590	9.2	29.5	31.0
3 Mos. - 1 Year	23	266	712	11.5	31.0	37.4
1 Year & Over	38	455	1069	12.0	28.2	42.5
Total	81	904	2371	11.1	29.3	38.0

[1]Includes hours spent watching TV while entertaining at home.
Source: D. A. Ivison and J. C. E. Fuller.

A seeming contradiction to the statements above appears when the analysis of time spent watching T.V. is done on the basis of income. Among the white collar workers the lower economic groups spent more time than others watching T.V. However, among the production workers the opposite trend occurred. The inadequacy of the income breakdown of the total sample may explain the confusion in the results. On the other hand, the much greater amount of time, on the average, spent by high income production workers (Table 2) may have created the results in the over-all picture shown in Table 4.

One very important fact emerged from an examination of the influences of occupations and education on this activity. In both occupational groups — white collar workers and production workers — the amount of time spent in television enjoyment decreased with higher education.

Attendance at Organizations

Organization attendance appeared to be more characteristic among the high economic groups of both white collar workers and production workers than in lower economic groups. However, education and occupation also played important parts with the highly educated spending more time on the average at organization meetings. Another major difference among the various educational levels occurred in the types of organizations attended. Church activities tended to decrease slightly with educational achievement among both occupational groups while sports organizations decreased to a much greater degree among white collar workers only. At the same time military and professional organizations appeared to appeal greatly to the high income and highly educated groups, while social organizations were popular among the other groups.

Although there seems to be no correlation between days worked per week and organization activities among the white collar workers there was some correlation between these two among production workers. The latter appeared to spend more time in organization activities when they worked a smaller number of days per week. Also, for both groups more time was spent in this type of activity by those working longer days. These differences may be explained by the fact that church activities were relatively important to all groups and weighed more heavily among those people who work longer days but fewer days per week.

Reading

More reading in general and of books in particular was done by the better educated people. Income seemed to have no apparent effect on this activity. Newspaper reading was the most popular and throughout all groups an almost equal amount of time was spent in keeping up with the news. Magazines also showed a fairly steady readership in all groups.

It was significant to discover that as hours worked per day and days worked per week increased time spent in reading decreased.

Entertainment in the Home

Two factors, higher income and lower education, appeared to be among the influences prompting people to entertain in their homes. These two groups entertained more than those in the other groups. A large proportion of the entertaining consisted of friendly conversation but a still greater proportion consisted of watching television. Cards and other entertainment were enjoyed with much less frequency.

Entertainment Outside the Home

Education, income and occupation showed varied relationships with the amount of time spent in outside entertainment. Among the white collar workers those with the higher education went out the least to enjoy movies, parties, car-rides or visits with friends, while among the production workers exactly the opposite appeared to be the case. Income groups seemed to follow a different pattern with high income people among the white collar workers going out the least and low income production workers going out the most.

No definite conclusions can be drawn from the data as to the influences of hours and days worked on this type of activity.

The major kinds of entertainment appeared to consist of visits to the homes of friends while attendance at movies was also important. However, both these activities declined with high education and low income but visiting seemed to decline less. Car-rides (including week-

end trips) were relatively popular among lower incomes and the less educated.

Hobbies

As income decreased the time spent on hobbies increased. There appeared to be no other discernible relationship between factors. The most popular hobbies were woodworking and gardening in all groups but an examination of the data indicates that the interests of people varied greatly and hobbies mentioned included car repairing, tying trout flies, collecting stamps, photography, painting and many others.

Other Activities

It was realized that the time of the year in which the survey was carried out would have an effect on the type of activities reported by the respondents. Therefore, in an attempt to obtain some picture of other leisure-time activities, the people interviewed were asked to give details about holidays taken in 1954 and also about relatively large scale building or renovating projects undertaken during the six months previous to the survey.

Holidays

Approximately 75% of the people in the sample had enjoyed holidays of two weeks or more, while only 10% had no holidays during 1954. The types of activities varied between different income groups but one outstanding fact appeared: in each of the income brackets a relatively large proportion of the people spent all or part of their holidays at home. The proportions, as would be expected, were larger in the lower income groups with 35% in Group C and 25% in Group D staying home while only 9% in Group A and 20% in Group B followed suit. Another holiday activity most popular among the wealthy and decreasing in importance as income fell consisted of spending all or part of the time at a cottage. Finally, among both groups, those that stayed at home and those who visited a cottage, a large proportion devoted their time to building, renovating and painting.

One rather surprising fact emerged from a further analysis of the information concerning how holidays were spent. A much larger percentage of the low than of the high income groups took trips. Unfortunately the questionnaire failed to discover whether or not these trips were taken by car. However, whereas only 18% of Group A went on trips, approximately 25% of Groups B and C and 37% of Group D spent their holidays in this manner.

Projects

One of the noticeable features of today's advertising is the amount of emphasis placed upon "do-it-yourself" projects. Therefore, an effort

was made in the survey to discover to what extent people were actually carrying out fairly large building and maintenance jobs without the use of outside assistance by specialists.

Over half of the people interviewed had spent a fairly large portion of their leisure hours at some time during th last six months in this type of activity.

The most popular type of job carried out by 50%-55% in the first three income groups and 33% in the lowest income group, consisted of painting either the inside or outside of the house or cottage. Other jobs included building and renovating with around 33% in each group doing these themselves. Many miscellaneous projects such as installing a furnace or sewer and laying a new lawn were also carried out but chiefly by people in the middle income brackets.

The costs of these projects ranged from a few dollars to several hundred dollars. Two men had spent the best part of the last three years doing the majority of work on a house and an apartment building. However, the most frequent costs mentioned lay between $75 and $200 with approximately 40% of those carrying out "do-it-yourself" projects giving these figures. At the same time 35% claimed that the materials used had cost no more than $25. A good many of these less expensive projects consisted of painting while the more expensive consisted of building and renovating.

Shopping

One interesting sidelight which emerged from the study concerned the number of men who took on all or part of the responsibility of grocery shopping for the family. Over 50% of the men interviewed stated that they did grocery shopping and nearly half of these did it without the assistance of their wives at the store. Also, over two-thirds shopped at super-markets mostly in the neighbourhood in which they lived.

Conclusions

Two facts stand out clearly in the findings of the survey. First, education and occupation appear to be very important influences on the kinds of leisure-time activities chosen by different people. Secondly, income, although it appears to have a definite influence on some activities such as holidays, has a questionable influence on others.

It is felt that the results of the study substantiate the usefulness of the approach used in the questionnaire. A great many surveys, in-

stead of obtaining details of past specific actions of people interviewed attempt to obtain conclusions based upon generalizations and estimates made by these people. Consequently, the results obtained contain a great deal of inaccuracy and wishful thinking. As long as people are not asked to recall too much detail over too long a time, a great deal of confidence can be placed in the answers received from the type of questionnaire used in this study.

You Can Do In Yourself

Statistics, gathered by Mr. Arthur Burroughs of the American Mutual Liability Insurance Company and quoted by the Wall Street Journal, show that on an average 115,000 people are injured every year doing home carpentry; more than 98,000 are hurt fixing furniture; 95,000 cut themselves replacing broken window panes; 33,000 are hurt while pruning trees and 76,000 become casualties while painting their houses.

Carpentry tools are involved in 72,000 accident cases and power tools in 180,000. And it's not only bad luck to walk under ladders—300,000 people are hurt because they insist on climbing up them.

Canada Faces Fairer Competition

At its recent meeting in Paris the Organization for European Economic Co-operation (O.E.E.C.) established at Ministerial level machinery for guarding against any further outbreak of practices which are generally recognized to be contrary to the long-term interests of trading nations, and has specifically outlawed the following types of export incentives:

Currency retention schemes or any similar practices which involve a bonus on exports or re-exports;

The provision by Governments of direct subsidies to exporters;

The remission, calculated in relation to exports, of direct taxes or social welfare charges on industrial or commercial enterprises;

The remission or repayment, in respect of exported goods, of indirect taxes, whether levied at one or several stages, or of charges in connection with importation, to an amount exceeding the amount paid on the same product if sold for internal consumption;

In respect of government export credit guarantees, the charging of insurance premiums otherwise than in accordance with sound insurance principles (i.e. lower than is appropriate to the costs and extent of the risks covered);

In respect of deliveries by governments or government agencies of imported raw materials for export business on different terms than for domestic business, the charging of prices below world prices.

For the time being special concessions are being applied to France, Greece and Turkey.

Can Canada Make Tourism Pay?

Vernon Lang

How big is Canada's tourist business? What is its annual turnover? Ever since Canadian currency was freed from restrictions, Canadians have spent more dollars on travel outside Canada than foreign tourists have spent here. Indeed total expenditure on tourism in Canada has hardly kept pace with rising national income and the trend to paid holidays. Here Vernon Lang of the Canadian Tourist Association suggests some ways in which we could both measure and increase the dollar earnings of this important industry.

NOT many years ago it was the fashion in the tourist business to refer in glowing terms to the way the "industry" contributed to Canada's national welfare by earning large amounts of U.S. dollars. Since that time Canada's international travel receipts have remained one of our most important "invisible" forms of export earnings; outside of newsprint, they still exceed the proceeds of any product we export to the U.S.A. but they have not shown much tendency to increase. Meanwhile the spotlight of publicity is no longer focused so sharply or so often on the exchange-earning aspects of the tourist and travel business for a number of reasons.

First of all, temporarily at least, Canada has ceased to have a chronic (U.S.) dollar shortage. A greatly enlarged flow of capital into Canada has pushed Canadian dollars to a premium over American dollars. The underlying current account deficit in our balance of payments with United States is still there, but it is being obscured from view by the inflow of U.S. dollars on capital account.

Secondly there is the emergence of the Canadian people as a "travel market" of consequence. This is the outstanding new feature to be seen in recent international travel statistics. Reversing the pattern of the past, Canadians are now as a group spending more money while visiting U.S.A. than Americans are spending in Canada. On a per capita basis this has always been the case, but it is now also true in the totals, as shown in the following table.

International Travel Expenditures Between Canada and Other Countries

Selected Years 1929-1954[1]

($ Million)

Year	Account with United States			Account with Overseas Countries			Account with All Countries		
	Credits	*Debits*	*Net*	*Credits*	*Debits*	*Net*	*Credits*	*Debits*	*Net*
1929	184	81	+103	14	27	— 13	198	108	+ 90
1933	81	30	+ 51	8	14	— 6	89	44	+ 45
1937	149	65	+ 84	17	22	— 5	166	87	+ 79
1943	87	34	+ 53	2	3	— 1	89	37	+ 52
1946	216	130	+ 86	6	6	..	222	136	+ 86
1947	241	152	+ 89	10	15	— 5	251	167	+ 84
1948	267	113	+154	13	22	— 9	280	135	+145
1949	267	165	+102	18	28	— 10	285	193	+ 92
1950	260	193	+ 67	15	33	— 18	275	226	+ 49
1951	258	246	+ 12	16	34	— 18	274	280	— 6
1952	257	294	— 37	18	47	— 29	275	341	— 66
1953	282	307	— 25	20	58	— 38	302	365	— 63
1954*	278	311	— 33	22	69	— 47	300	380	— 80

*Subject to revision.

Thirdly, despite appearances, Canada's gross income from inbound travellers has not expanded much in real terms. Receipts from United States visitors of $278 millions in 1954 are roughly 50% above the $184 millions received in 1929, but living costs are 50% higher now than then. Canada is, in fact, taking a declining share of total American travellers' expenditures: U.S. government estimates show Canada's share of Americans' foreign spending at 39% in 1929, 51% in 1939 and 32% in 1953.

Visitors Spending Less

Yet in face of these relative declines in money receipts, more and more actual visits are made to Canada. Obviously the average visitor is not spending as much per capita as formerly, either in current dollars or in dollars of constant value.

Available statistics account for this partly by showing a trend toward shorter visits. Throughout the postwar period there have been gradual declines both in average length of stay and in average reported expenditures. No matter what length of stay in Canada is considered, an actual decline will still be noted in expenditure per car per day. Only a vast increase in the number of visitor-days spent here has prevented an absolute decline in Canada's total tourist revenues. Increasing car-ownership is enabling many people to come here who could never

[1] "Travel Between Canada and the United States—December, 1954."

afford to travel before, but these many additional travellers do not have as much to spend per person as did those motoring here in past years.

Apart from motorists there is the smaller but still important amount of traffic coming by various common carriers. These now bring fewer people, but, averaged as a group, they spend more money per person. Within this non-automobile group there have been steady postwar declines in rail traffic and a more recent downturn in bus traffic. Boat traffic, which has been declining since 1949, has begun to increase again, and with more vessels going into service should continue to grow. Air traffic has grown rapidly for many years and the airlines have broadened their market considerably.

What Is A Tourist?

So far, we have been reviewing the most easily measured aspect of tourism, the international flow of people and money and the international "trade" that this involves. It can be argued that not all who cross the border are "tourists", but it is difficult to reach agreement on any more precise definition of tourists than that presently used by the Dominion Bureau of Statistics, namely "all foreign entrants except immigrants".

It is of course difficult in practice (when gathering statistics) to separate business and pleasure travel. It is also true that the economic results of travellers' expenditures are not greatly affected by the purpose of the trips. What matters to the tourist business is the altered consumption pattern produced by the fact that certain consumers go somewhere instead of staying home. Instead of putting their money into television sets or garden tools or books or bank accounts, they spend it on transportation, accommodation and various other purchases that they would not make at home.

The people who run Canadian tourist facilities are therefore interested in both business and pleasure visitors. In addition, interest is developing in the domestic tourist or traveller. This sort used to be taken more or less for granted, but obviously some part of the big increase in foreign spending by Canadians must represent tourist business which Canadian tourist establishments and travel facilities have lost to their competitors elsewhere. According to the recent survey of the Canadian Institute of Public Opinion, the proportion of Canadians who have never seen more of Canada than their own province was still as high as 27% in 1954.

Challenge to the Statisticians

To date there is no established way of measuring the size of Canada's internal or domestic tourist trade. There are no borders at

which anything more than spasmodic sample counts are made, and there is no agreement yet on just what people or what activities should be considered properly "tourist". A common complaint at tourist trade conventions is that local estimates by provinces and cities of income from tourists do not agree with each other or with DBS' foreign entrant statistics. If added together in fact they greatly exceed the federal figures!

In view of the obvious expansion in volume and value of travel by Canadians, the demand for facts on this subject is growing, and part of the purpose of this paper is to explore some as yet untried approaches to the problem of its measurement. For example, it is possible to collect from various DBS publications[2] the passenger revenues of various forms of transportation in Canada. In millions of dollars these are as follows for the year 1953 (except the bus figure which is for 1952):

Railways (including sleeper, diner revenue, etc.)	105.2
Airlines	60.2
Inter-urban and rural bus lines	49.9
Inland steamship services	3.4
	215.7

Once a definition of "tourist" is agreed, a study could be made to discover how much of these $215.7 millions was properly "tourist" expenditure.

Similarly, it is known that $556.3 millions were spent in Canada in 1953 in retail gasoline and service stations and garages. After a survey by the U.S. Office of Defence Transportation it was estimated that 35% of highway gasoline consumption is for pleasure driving. If we can assume that a similar proportion would apply in Canada, 35% of $556.3 millions is $194.7 millions.

Thirdly, DBS reports[3] that Canadian hotels, including both full-year and seasonal hotels, took in the following (millions) in 1953:

Rooms	$ 93.9
Meals	71.0
Rooms and meals	$164.9
Beverages	$210.0
Miscellaneous	35.8
TOTAL	$410.7

Motels, tourist courts, camps, etc., are seldom classified as hotels and the most recent available figures on their receipts are from the 1951

[2]"Railway Transportation, 1953": "Water Transportation, 1953": "Civil Aviation, 1953": "Motor Carriers, Freight, Passenger, 1952".
[3]"Hotels, 1953".

census[4]. In that year those open at census time (early June) reported receipts of $12.5 millions in 1950.

Thus, the following could be included in a first attempt to estimate a total of expenditure by all tourists and travellers in Canada, both Canadian and foreign:

Transportation	$215.7 millions
Automobile Transportation	194.7 millions
Hotel rooms and meals	164.9 millions
Motels, etc.	12.5 millions
	$587.8 millions

Of these estimated figures, even if business travel is to be included as part of tourist business, the transportation figure should be reduced by an amount to cover commuting revenues. On the other hand the motel figure is certainly too low, and no doubt part of the beverage and miscellaneous receipts of hotels, which are not included above, are properly attributable to tourists and travellers. In addition there must be estimates added to cover restaurant meals, amusements and other retail purchases which are typical of travel and tourism. All these items are certainly included in the totals that departing visitors report having spent in Canada, but sample surveys do not agree on the proportions involved.

The only Canadian retail sales that exceed the above partial estimate of tourist business are those of motor vehicle and equipment dealers, department stores and grocery stores. Of these three, the motor vehicle figure is most certainly in part attributable to tourism in view of the huge amount of travel being done by private car.

Increasingly a Mass Market

In a sense, the tourist business is an aspect of the marketing of all goods and services: it is a specialized way of bringing customers and goods or services together. As such it has its own peculiar advertising and merchandising problems which are constantly changing in response to changes in the tourist market.

Fifty years ago tourists were, almost by definition, fairly wealthy people. Vacations of any kind were a privilege of the few. Yet nowadays, paid vacations of some sort are almost universal. Minimum vacation pay is compulsory by law in many jurisdictions. And the advent of the family automobile has provided both a motive and a method for travel to millions of ordinary people.

This is not to say that "carriage-trade" tourism and its facilities have disappeared. But, disregarding short-term fluctuations, it is clear that standards of living have kept rising (physical output per man-hour

[4]Wholesale and Services Volume.

is more than half again as high as in 1929); consequently, more and more people have become able to patronize all types of tourist facilities.

Attractions for Families

Apparently the modern motor-tourist is more restless than his predecessor. Routing services report more and more requests for long trips on which motorists have to cover many miles each day. This trend highlights the problem facing the tourist businessman of getting the tourist to stop long enough to spend a little money. Attractions are being rapidly developed such as historic, cultural, athletic and amusement facilities of all kinds. They help create the impression that a particular area is an interesting place to visit, and they also tend to slow down the movement of motor travellers and hold them longer in an area, presenting good opportunities for merchandising the various things that tourists like to buy.

Perhaps the most interesting aspect of this development is the amount designed to attract children: Santa Claus villages, story-book parks, etc., are taking in huge crowds of admission-paying families. A load of children in the car will make a parent stop when confronted with these special attractions; and more and more families are travelling with children.

The family travel trend is increasing the number of family-rate plans in both transportation and accommodation. It also emphasizes the need for simple, inexpensive eating facilities and the special problems of selling meals for children. Also, it is one of many factors which have helped the rapid growth of the motel and motor court types of accommodation. There are other factors, of course, including the traffic congestion around city hotels, the increase in motor traffic generally and the motels' roadside location.

Competition From Other Products

The twentieth century, so far, has been an era that has seen the rise of mass-production industry, aided by mass-circulation advertising of various kinds. The tourist industry is only one of many in which carriage-trade products have been distributed to a much wider mass market. But many products, such as cars and refrigerators, have expanded their sales much faster than the tourist business has.

Sometimes this has been caused by product improvement, sometimes by advertising and selling effort, usually by both. Also there are cases where growth of a particular product's market is primarily the result of a marked change in our way of living. Examples are in the various things now being sold that are peculiar to suburban-type households and their activities. After meeting instalment and mortgage payments on a suburban house, grounds, car or cars and an almost

endless variety of equipment necessary or fashionable in suburban living, there may or may not be something left for travel.

For advertising purposes, mass-produced consumer goods have at least one advantage over the tourist "goods" and that is their homogeneity. For example, one Ford car is the same as any other Ford car of the same model; hence, uniform, large-scale advertising can assist the sale of the uniform product in every corner of the continent. But with vacations, no two of which are alike, the appetite for travel has to be whetted by the total impact of many small advertisements by many different units of the tourist business.

Competition From Other Areas

While competitive advertising helps to swell the total travel market, it also provides keen competition. Improved travel facilities are being effectively exploited to take both Canadians and Americans away from Canada. For example, air transportation has brought Europe, Mexico, Central and South America and various Atlantic islands well within the range of a two-week vacation.

But Canada's biggest competitor is not so much these far-flung places as it is the United States itself. According to a panel survey by the Curtis Publishing Company, only 6.3% of the total vacation trips taken by American families were outside the United States. This leaves about 93.7% taking their trips within U.S. boundaries. No similarly survey has been made among Canadians, but various Canadian magazines, which have recently polled their readers, show that between 30% and 40% of their readers who took trips had taken some part of them in U.S.A.

Advertising in Canadian metropolitan newspapers shows the extent to which American tourist promoters look to Canada for business. In Toronto papers, for example, it is not uncommon to find two full pages of display advertising from U.S. Atlantic states, particularly Florida, and sometimes almost a full page in the classified section. Nor is this advertising confined to the winter. There has also been a very rapid growth of non-Canadian travel advertising in Canadian magazines.

Importance of Extending the Season

In selling any tourist area, satisfied customers are just as important an element as any amount of paid advertising and promotion. The pace-setters in improving standards of accommodation, food service, recreational facilities, etc. are generally found in areas where the tourist "season" is the longest. A year-round operation provides more business volume over which to amortize the cost of improvements and it can maintain a better staff. This factor improves the competitive position of warmer countries, but even they had "seasons" in the past

and had to put considerable effort, for example, into selling the idea of going south in summer as well as in the winter. While Canada has no tropical zone, the west coast qualifies for some winter business by its relative warmth and pleasantness; parts of the Rockies and the Laurentians have developed their winter sports trade; and hunting provides an autumn attraction in some places. Naturally enough it is in these parts of Canada that have "extra seasons" that the greatest concentration of up-to-date tourist enterprises with the highest standards will be found.

Generally speaking, the problem of smoothing out the uneven flow of tourists over the year is the industry's most important problem. In most Canadian locations a year-round season is hardly possible. However, much can be done by providing special off season attractions for tourists such as heated swimming pools, festivals and other cultural events. In addition to promoting such attractions as fall colours, freedom from hay fever, unusual types of fishing and hunting, operators should emphasize the advantages of off-season rates.

Another possibility helping to extend the season for some resort establishments is their use for industrial and commercial meetings and small conventions. Although the convention business is a large and growing field, it will however take time before out-of-town resorts catch up with the larger cities in securing this patronage.

Finally, better cooperation is required from both government and business. In the past the date of Labour Day tended to act as an automatic shut-off date for vacationing, particularly since schools usually opened immediately after. Considerable effort has been made to interest appropriate labour and government authorities in changing these dates, but so far there has been little success achieved. Industry-wide or plant-wide shutdowns for vacations tend to occur all at the same time. The result is that highways become choked with traffic and some vacation areas, usually half empty, have no accommodation during the middle 2-4 weeks of summer. Tourist spokesmen are hopeful that labour and management can be convinced of the importance to all concerned of "spreading the load".

Conclusions

Despite Canada's rising population and national income, despite our greater leisure through technical advances and greater productivity, the tourist and travel business in Canada is not expanding as fast as it should. It is failing to keep pace with competition, both in quality of product and in effectiveness of promotional effort.

Canada's transportation companies, government tourist bureaux and certain large interested businesses maintain substantial promotion efforts. Some of the smaller private segments of the trade have therefore had

a tendency to "Let George Do It". In contrast, some competitive areas in the United States do their strongest advertising in the form of privately-sponsored, specific advertisements. The majority of Canadian commercial hotels have done little to attract tourists, and only now that the growth of home television is cutting their beverage-room patronage are they looking for tourists as a means of keeping up revenues. Only recently, have resort hotels in accessible areas begun to feel the need for aggressive business development and promotion.

Where Canadian tourist enterprises are too small to advertise on their own, there should be co-operative action by area or community groups and committees. Not only can such area groups, be they chambers of commerce or tourist associations or semi-official municipal groups, organize their advertising co-operatively, they can also develop attractions. Facilities that popularize an area and extend the business season should be financed by the group all of which will benefit.

There is also a need to maintain and improve standards of accommodation and service. Service is largely an educational problem, which can be fostered through provincial government efforts, but the construction or remodelling of facilities to modern standards requires capital. With its small enterprises, here is a type of business that could make good use of government-backed credit under suitable terms.

Finally, it should not be forgotten that tourism, whether in Canada or elsewhere, has more than purely economic importance. Travel should be valued also for its contribution to health, to education, and above all as a means of promoting goodwill and improving relations between many different peoples not only internationally but also within the boundaries of our own country. Canadians, as well as other tourists, can find in Canada new places to go, new people to meet, new things to see and do.

1956 or 1659

"Parents had no manner of authority over their children, nor children any obedience or submission to the their parents—but every one did what was good in his own eyes. The young women conversed without any circumspection or modesty, and frequently met at taverns and common eating houses . . In the place of generosity, a vile and sordid love of money was entertained as the truest wisdom, and any thing lawful that would contribute towards being rich."

"Selections from Clarendon", just published by the Oxford University Press in its World Classics Series.

White of Imperial

C. Edward Wilson

What makes a man succeed? What makes a businessman a success? The following, the first of a series of profiles of Canada's leading businessmen presented by the Business Quarterly, attempts to put the career of John Rigsby White, President of Imperial Oil against the background of Canada's gushing oil industry. Certainly here is a man who has grown with his vocation, seen not only his own but also his industry's fortunes flourish. And yet Jack White makes time always to be gracious and charming, to lead also in extra-curricular activities. The School of Business Administration at the University of Western Ontario is indeed proud to have him as chairman of its Advisory Committee, and this Quarterly to have published in our Spring 1950 edition his enlightened forecast "What Western Oil Can Mean to Canadian Business". Many who know Jack White have helped in the preparation of this profile, but it remains essentially a product of Edward Wilson of the Journalism Department at the University of Western Ontario.

IN the office of John Rigsby White, Imperial Oil's president since 1953, a few finely done colour pictures of bull-fighters in classic poses hang in a prominent position. These pictures serve to remind Mr. White, whose tastes run more to active participation, of one of the few sports in which he has never been more than a spectator.

At 48, the trim six foot, 195-pound frame of the man who heads Imperial reflects both his years as star middle wing with the University of Toronto Blues and his continuing belief in the importance of physical fitness.

At U. of T.'s First Colour Banquet early this spring, Mr. White warned that the campus hero can suffer a painful change. "If he chooses, an ex-athlete can devote his entire post-graduate career to the accumulation of blubber," he said. To avoid such a fate, he himself plays tennis and golf (he shoots in the 90's). Recently, too, he bought a cottage on Lake Muskoka where he can spend summer weekends with his wife, son, and two daughters. On the lake he can indulge his fondness for sailing, and a nearby gun club gives him an opportunity to practise his marksmanship on the skeet ranges.

These outdoor activities which constitute Jack White's avocation may have played a part in fitting him for his vocation. Just what that

vocation is, what the position of the president of Imperial Oil Limited demands in and of a man is a little hard to define unless you know something about the company and the industry. One of the outstanding features of the industry is certainly the tremendous amount of capital involved in its operations. In Imperial Oil, for example, the average investment behind each of the 13,370 employees is $38,572. On the average, then, each Imperial employee has a fund of capital about equal to that behind a prosperous merchant on Main Street—and he has to manage it with an equal sense of responsibility.

This aspect of the industry has been an important factor in shaping its personnel policies—and by inference the qualities required of management. The industry calls for close co-ordination of effort together with a maximum of independent action. It is an industry which calls simultaneously for the maximum of decentralization and the maximum of co-ordination.

As every student of the art of management will recognize, either of these goals is comparatively easy to achieve separately, but it is quite another problem to meet them both concurrently! Obviously, a basic necessity for carrying out such an assignment would be the sort of understanding of human nature that consists of equal parts of understanding people and liking them.

A guest feels immediately at ease with Mr. White who is in full accord with the company policy of eliminating as much red tape as possible. There are no secretaries' offices barring the way to executive rooms — and his manner is pleasant and informal with outsiders and employees alike. "He is the same at social functions", long-time personal friends from London say. A predecessor panelled the office he uses in South American mahogany, but Mr. White says his office in the new Imperial building at Foxbar and St. Clair in Toronto will be decorated with more simplicity.

Mr. White does not enjoy social functions that have a purely business atmosphere. "I like to go to parties and talk to people," he says, "but I like to talk to my friends as people, not businessmen."

He is a keen bridge player and often surprises card-playing companions with his mind-reading abilities. These frequently result in amazing victories, and not infrequently in resounding defeats.

Although he likes to go to concerts of classical music, neither Mr. White nor his wife plays any instrument. A brother, Ernest White, is a noted organist in New York.

He is seldom ill, has never developed ulcers, which is fortunate because his work-schedule leaves little time for such luxuries. He travels about 25,000 miles a year, including trips to the western provinces at

least half a dozen times, to the east coast at least twice, and to New York or Chicago about once a month. Added to these have been trips to South America every second year, when he has added to the Latin-American souvenirs that already grace the White home. These trips also give him a chance to practise his Spanish, a language which he likes and takes quite seriously. At a dinner given by Imperial for some visiting Venezuelan officials early this year, Mr. White spoke Spanish all evening, much to the delight of his guests.

The Financial Post was moved to remark that he "combines a flair for getting along with people with a tremendous capacity for hard work . . ." The Toronto Engineering Alumni Association felt the same way when the Association medal, given only once every three years, was awarded to Mr. White. The presentation stated that his talent for teamwork and co-ordination made him an important figure in Canadian industry today.

His ability for organization was evident in his college days, when he helped to establish the Delta Upsilon fraternity on Western's campus. Mr. White was born and raised in London, Ontario, where his father, a Conservative Member of Parliament, was president and organizer of London Rolling Mills. After finishing high school he spent two years in Honours Chemistry at the University of Western Ontario before transferring to the University of Toronto's course in applied science in mechanical engineering. He graduated in 1931, renowned mostly as a football player, and returned to London where he worked in the steel plant.

A year later, at 24, he married a London girl, Anne McGregor. It looked as though the White's would settle in London for good, but the depression struck the steel industry in 1933 and Imperial's future president was out of a job. A few weeks later he joined Imperial as a junior draftsman at the Sarnia plant, where he spent his first years in the refining and engineering group as a designer and tester.

Four years later, having definitely decided to link his future to the oil industry, he went to the United States to specialize in long-range investment problems bearing on oil values and uses. In 1938 Mr. White went to South America with Standard Oil of Venezuela, later a part of Creole Petroleum. There he studied every aspect of oil exploration, production and transportation, and in 1942 he was made a vice-president of the company.

In 1943 he rejoined Imperial as economic co-ordinator. Within a year he was elected to the board of directors, and in a few weeks became a vice-president.

At this point White had finished his post-graduate training and had acquired the technical ability which was going to be essential to

Imperial Oil in the years immediately ahead. Mr. White explains his advancement quite simply: "I just happened to rejoin the company at the right time. They were looking around for a new vice-president, and I was doing a vice-president's work anyway, so they just decided to call me one." But his colleagues do not think it was that simple. Even if business had continued from 1944 just as it had in earlier years, heading Imperial Oil would have been a man-sized job. Stretching from coast to coast, the task of supplying its seven refineries and millions of customers would have been an assignment to test anybody's managerial abilities.

But what lay out of sight around the corner was the discovery of crude oil at Leduc—a development which revolutionized the character of the oil industry in Canada, and particularly of Imperial Oil Limited which made the discovery, which completely changed the supply lines and the transportation systems of the industry, and which took place against a background of violent post-war expansion of demand coupled with sharp technological changes. Jack White played an important part in all these major changes that were taking place in his company and industry.

He was active in planning the producing programmes which led to the discovery well at Leduc early in 1947. He participated in the moving of the Whitehorse refinery to Edmonton in 1948, an operation which ranks with some of the world's major engineering feats. He figured prominently in the construction and planning stages of the Interprovincial pipe line, the world's longest pipe line which stretches from the Redwater oil field near Edmonton to Sarnia, Ontario. He contributed to the construction of Canada's first fluid catalytic cracking unit at Montreal, and Canada's first product pipe line which stretches from Sarnia to Toronto. It is apparent that active participation in such a catalogue of pioneering developments called for technical skill of the highest order over and above the managerial ability inherent in a person who likes people, understands them and is able to inspire them to action.

But while he has clearly made exceptionally good use of his own technical training and experience, Jack White does not buy the "trade school" approach in education. He is chairman of the Advisory Committee of the UWO School of Business Administration, and he believes that business education is fulfilling a vital role in Canada today. Although in many instances, he asserts, men with specialized training can step right into a position and do a good job without time wasted, a liberal arts education is a must.

The points of view of both big and little business have changed, he feels, and it is important for business and educators to get together informally to discuss their problems. He underlines the importance of co-

ordination through informal contacts, so that educators will pass on to their students an ability to face the world with some knowledge of the practical problems they will face. Informality is also a must for the businessman who is often over-awed by the superior wisdom of the professors, thinks Mr. White.

"It is extremely important that people dealing with practical business know . . . what makes business tick . . . but we don't want the trade school type who can adapt to only one thing. An intelligent man with the right background can do anything," he says. And we believe that Mr. White has himself proved his point.

Do You Publish a Company Magazine?

"In U.S.A. the typical company magazine contains 16 pages, 8½ x 11, costs about 32c a copy (lowest cost reported, 16.6c; highest 74.4c) and is mailed directly to the employee's home. It has been in existence 14 years"—Clifford Hale of Westinghouse told the Canadian Industrial Editors' Association.

In Canada, the Westinghouse News cost in 1954 approximately 14c per copy.

Printing	43.0%
Salaries	21.0%
Photography and Engravings	18.0%
Mailing	7.5%
Miscellaneous	10.5%

A recent opinion poll made among 10,000 Canadian Westinghouse employees showed the following employee preferences in editorial information and news in this order:

1. They voted unanimously for "plenty of pictures";
2. The large majority indicated a preference for "stories and pictures of departments at work";
3. "Stories about people";
4. "Company sales and sales promotion activity";
5. "Editorial comment" dealing with company policy and corporate progress;
6. "Cartoons" and human interest eye-catchers;
7. "Employees' Store Column" — a section devoted to the retail outlets for company products sold at special employee prices;
8. "New Products and Development";
9. "Safety News";
10. "Personals".

France — What Price Glory?

J. R. W. Gwynne-Timothy

Shopkeeper Poujade's refusal to pay taxes and his enthusiastic acclamation by millions of Frenchmen again highlight the financial and economic problems of France. Stocks on the Paris Bourse have rocketed far further and faster than on Wall Street; May 1955 prices were 240 per cent above 1949, 60 per cent above last year and 22 per cent above the beginning of this year — another indication of the Frenchmen's chronic acceptance of inflation rather than taxation. Prime Minister Faure has had to back down from his announcement that France too would remain among the great and build its own hydrogen bomb: his financial cupboard is too empty. However human this hatred of taxes and the tax gatherer, such an attitude ill fits a nation with claims to glory and greatness and can only be fatal not only to good government, but to any government and certainly to any pretentions of ranking as a great power. In our last issue, Dr. Gwynne-Timothy dealt with the French political merry-go-round; here he adds some economic background.

Mediaeval writers wrote of "the fair land of France". For many centuries the soil of France produced the goods which not only supported the greatest population in Europe, but made France the richest and most powerful country in the world. From the flax and cereals of the north to the vines, olives and vineyards of the south, the wealth and variety of French agriculture in former times was incomparable, and in modern times can be matched only by such a country as the United States. Blessed with a large country, a fruitful soil, a superb climate, and a people renowned for their industry and resourcefulness, France was indeed most favoured of the kingdoms of the earth.

France still preserves the blessings which made her great. But weakened by the Napoleonic wars, she was, during the 19th century, increasingly outclassed by Britain and the emerging industrial giant, Germany. In the twentieth century she is further outclassed by the super-giants, the U.S.A. and U.S.S.R. As late as the time of Napoleon France, drunk with 'la gloire', could make a bid for world supremacy with reasonable prospect of success despite British sea-power—and the national economy could sustain the effort. But after Waterloo not only was France no longer paramount, but the state of the French

economy became increasingly a cause of alarm in face of the growing economic might of Germany.

France's Economic Handicaps

There are many reasons for the relative decline of French economic development. Some of these are technical, others social or political. Hence, some can be resolved by determined action — if the necessary resolution is forthcoming—while others are simply facts of life which must be lived with.

One of the consequences of the French Revolution was to transform France from a country of great land owners into a country primarily of small peasant proprietors. While in England the economy based on wood and iron was changing to coal and steel, the agricultural labourers, impoverished by the enclosures of common land by the big land owners, provided the proletariat for the rising industrial cities. But in France the rapid acceleration of peasant proprietary kept most Frenchmen "back on the farm", and this fact has remained generally true from that day to this. In France, the political revolution thus hindered the industrial revolution. Even worse than the problem of labour, however, was the plain fact that in an industrial age of steel and coal, France lacked steel and coal.

Thus handicapped by lack of labour and raw materials, French heavy industry was slow to develop. Only few and spotted regions began to resemble the "Black Country", the Ruhr, or the western parts of Pennsylvania which were making England, Germany and America so rich and powerful. France was still rich, but her wealth rested in agriculture and in luxury goods. Yet in an age when the mass food exports of America and Argentina, of Canada and Australia were capturing the markets of the world, France could not build a great export trade. Instead, she continued to rely on her reputation for luxury exports and French supremacy in the field of luxuries is probably as high today as two centuries ago. But neither great volume export trade nor military power can rest on wines and culture, women's fashions, perfumes, or high quality cars. A consequence of all this has been that a high proportion of French industry rests upon highly-trained, highly individualistic workers. This has also hindered France from developing to the same extent as other countries the heavy, mass production techniques.

Admittedly, in modern times the course of history has been peculiarly harsh upon "la douce France." Not only has the hideous slaughter of modern warfare depleted the flower of French manhood, but the tide of battle has ebbed and flowed across the country, leaving the scars of desolation on a tortured land. Since the liberation of 1944, however, France has made great progress. The "martyred cities" have arisen anew from the ashes of the old. The communications and trans-

port facilities are restored, the ports are being slowly rebuilt. But despite many and impressive achievements, the blunt fact is that alone among the nations of Europe, French productivity has not yet returned even to its 1929 level. Depression and war have been France's lot for a generation, but France is not alone in that experience. Britain and Germany, too, have their "martyred cities". Yet in contrast to British austerity and German hard labour, the French seem unwilling or unable to set their economic house in order. Considering the resources of nature and population and the weight of argument in favour of reform, the French reluctance to do so seems to outsiders a major tragedy. French business and industry are old-fashioned, antiquated, overstaffed and inefficient by German or Anglo-Saxon standards.

French Fiscal Failure

To the ordered mind of any finance minister in an Anglo-Saxon country, French finance and fiscal policy must create the impression of a bear garden. Like so much in France, currency and taxation are the objects of fierce dissension and unsatisfactory compromise. But taxation and commercial policy alike reflect a very close balance of class and sectional interests.

France has remained a strongly protectionist, even mercantilist country. The experiments of 1786 and 1860 towards freer trade are not likely to be repeated, for France burned her fingers even in the days of Pitt and Cobden—and free trade, whatever its theoretic merits, has even less application in the 20th century than in the 19th or 18th. The political strength of the peasantry and agricultural interests, the bourgeois fear of foreign competition in French industry, the reliance on indirect taxation all spell very firmly French reluctance to lower trade barriers. The French have, of course, made great use of such commercial policy as a weapon in their diplomatic armoury.

French government finance must be regarded as one of the minor wonders of the world. One has to go back very far in history, to the reign of Henry IV and the achievements of the Duc de Sully, long before Canada was even found, to find a period when the national budget actually balanced. Even today a major political crisis occurs each time a budget is introduced. So restricted is the field of manoeuvre for a finance minister, so fiercely guarded are the political ramparts of vested interest that it would be political suicide for any government which attempted a strong dose of retrenchment and reform — unless backed with the compelling force of a dictatorship, always a possibility.

Tax Evasion Considered Reputable

There is a deep-rooted self-interest or obdurate selfishness in French classes which will not permit them to tax themselves, even as the price of survival. The nobility were exempt from taxation until the bloody Revolution.

The middle classes run the republic of today and cannot face the cruel prospect of direct, honest taxation. Thus French taxation is predominantly indirect, and falls, so the Communists argue, on those very classes which are least able to sustain it. Whatever the merits of this argument, the middle and upper classes regard income tax as a "fiscal inquisition", or a direct capital levy. Consequently, they will have none of it, even when it is the law of the land.

Not until 1917, after three years of war, could the Republic bring itself to impose income tax. It is perhaps not without significance as to popular attitudes that the income tax is known as the "impôt des poires"—roughly translated as "mug's tax". Evasion of taxation among all classes in France is so widespread and rampant as to be almost universal. It even seems to be acquiring formal political expression through M. Poujade.

The Inevitable Inflation

To add to the financial problems brought about by a long succession of governments which seem unable to tax, French fiscal problems have been increased by continuing and constant inflation. No government has yet succeeded in resolving this problem, but its effects permeate the whole of the French economy, and affect adversely the traditional bourgeois virtues of thrift and saving.

The French pride themselves, and with reason, on their logic. Thus it is that in France the political parties represent economic and social groups more accurately than in most countries. The French logic, however, also means that where interests clash, the lines of conflict are sharply drawn and clearly expressed. The result is more often deadlock than compromise, and so the political and economic life of "la grande nation" stumbles from one crisis to the next. There is very little chance that any real change will take place in France in the near future.

Writing in 1939 a French commentator wrote of the Third Republic: "The régime is paradoxical, conservative in purse, revolutionary at heart, extremist and idealist in its programmes, opportunist and moderate in its action; admiring great men but refusing them power; captivated by eloquence and words, but freely changing its orators in a dizzy merry-go-round; little preoccupied with essential problems, but generally solving them at the last minute; the Republic à la française has nothing quite like it in the world. It lives by suppleness and adroitness. It is a régime of perpetual deals; one might say of compromise, if this word were not too 'compromising'. It is the system of government of an independent, rich and happy people." This epitaph of the Third Republic is the secret of the Fourth.

Book Reviews

PROBLEMS IN INTERNATIONAL RELATIONS

by Andrew Gygorgy and Hubert S. Gibbs. Prentice-Hall Inc., New York, 1955. 330 pp. $3.75.

There are two radically different ways in which we can discuss the problems of politics. We can say, "Here is a vital problem. What can we do about it?" That was the approach of the great writers on politics in the past. Or we can say, "Here is a political phenomenon. Let us analyze it." That is the approach of most writers today, who pride themselves on being "scientific" and think that it is no part of their duty to offer solutions. Actually, they are just being useless. Indeed if they are clever enough they may be harmful. They may convince their readers that everything that happens in International Relations is the inevitable outcome of "social forces", and thereby convince the readers that there is no use attempting to influence the course of events. We therefore pick up a book on "Problems in International Relations" with a hope of finding some suggestions for solving the political problems that threaten to overwhelm us.

Actually, this book tends to take the "scientific" approach. The various problems are examined with a view to explaining the operation of the forces which have influenced, or are influencing, problems that are still with us.

The difficulty with the method is that it gives us no historical perspective, and therefore no clear understanding of the force examined. For example, the book contains a section on "The Impact of Religion on World Politics" and the case of India and Pakistan is taken as an illustration. Unfortunately, all we learn about is the India-Pakistan case. The big questions about religion in world politics are not touched. Why did religion motivate the Mohammedan conquest of North Africa and the Near East? Why did religion dominate European politics for a few generations after the Protestant Reformation and then drop out of sight? Is Communism a religion which can be expected to upset the world for a generation or two and then cease to be a factor in International Relations?

The book under review is composed of contributions from ten different authors with an introduction to each section by the editors. Consequently, the treatment of the various topics is not integrated. For

example, the Korean War is studied as a case of a United Nations effort in the direction of collective security but the important questions of International Law raised by the conflict are not discussed.

The fact that the book is a compilation explains another weakness —the "lessons" and "conclusions" drawn from the different episodes point out what should have been done in each case but have little value as guides for future policy.

The authors deal with vital issues of our times. The Communist Challenge, Western Response, The Lesser Powers, Ideology, International Law and the United Nations are the chapter headings. Under each heading, several problems are systematically, and on the whole, carefully and interestingly treated. Bibliographies are commendably brief and well selected but searchers for solutions to the problems raised will have to look elsewhere.

—W. B. Harvey, Professor of Economics
University of Western Ontario

A HISTORY OF THE UNITED STATES FOREIGN POLICY

by Julius W. Pratt. Prentice-Hall, Inc. New York, 832 pp. $9.25.

"The United States was fortunate in having, on its long northern frontier, a neighbour so sympathetic in ideals and purposes, so cooperative in action." In such complimentary terms does the author summarize the relations of his country with Canada. Perhaps the fact that Dr. Pratt is a professor at the University of Buffalo makes him particularly conscious of the existence of Canada as an inhabited, living region. But his reference to it—a comparative rarity in such American books—is typical of the broad scope of this work of mature thought and experience.

Dr. Pratt's first three chapters deal successively with the aims of foreign policy, the tools of diplomacy, and the tools of force. With the stage thus appropriately set he traces the historical evolution of American foreign policy from General Washington to Mr. Eisenhower —from the first stages of the revolutionary war to this present year of grace and publication—in the succeeding forty-six chapters. More than half the book is concerned with the present century, and a quarter of it with the past two decades, a division appropriate to the importance of recent events.

The writing style is clear and simple, and the ideas and facts are well set forth. In a field of writing which is peculiarly subject to prejudice, passion and bias, Dr. Pratt maintains a good balance and a

sympathetic awareness of conflicting points of view and diverse aims. The book is a regular mine of carefully sorted information, and its value is enhanced by a good selection of bibliographies added to each chapter.

Such care and style of presentation makes it essentially a college text book for diplomatic history, rather than an interpretive analysis of the fundamental factors in American foreign policy. There is little sustained attempt to determine, for example, the political pressures and their sources which were brought to bear upon American policy. There is little attempt to analyse the pendulum swings of American policies, the here today, gone tomorrow aspect which foreigners, and especially allies find so disconcerting. The treatment of the American revolution is orthodox and perfunctory. Yet with the emphasis which the author rightly places upon the necessity of "containing" revolutionary international Communism in the present, there is no evidence that the upholders of the status quo in the 18th century, and especially the British Government, might have viewed republican democracy, French or American, in a similar light. The treatment of American expansion in the days of "Manifest Destiny" and Yankee imperialism is, on the whole, a fair summary—but something of the philosophy of "I believe in God, the Constitution and the Monroe Doctrine" school. Withal it is a well-balanced, well written work, a useful hand-book and guide to any well educated businessman anxious to know more about the foreign policy of our great Southern neighbour—on which our own Canadian foreign policy is now so dependent.

—J. R. W. Gwynne-Timothy, Assistant Librarian
University of Western Ontario

INDUSTRIAL PURCHASING

by J. H. Westing and I. V. Fine and members of the Milwaukee Association of Purchasing Agents. John Wiley & Sons, Inc. New York, 1955. 421 pp. $7.50.

Although written primarily as an introductory text for students, "Industrial Purchasing" is a valuable addition to the sparse literature on this subject. It is a symposium, but the authors have succeeded in their effort to "draw on the breadth and depth of actual experience of a large number of business executives with decades of service in purchasing and to synthesize these contributions into a unified whole".

The five major sections cover all major purchasing problems such as centralization, selection of sources of supply, quality and quality control, price determining, make vs. buy, traffic, scrap disposal, forward

buying and speculation, legal aspects, reports to management, and evaluating purchasing department performance. Section five is largely devoted to various commodities with which a purchasing department might be concerned, and includes product descriptions, definitions, suggested sources of supplies, etc.

In many manufacturing companies more than fifty percent of total income is paid out for the purchase of materials, supplies and services. There should consequently be no need to emphasize the importance of the purchasing department to the corporate organization. Any executive responsible for purchasing will find particularly interesting the equations for deciding the correct quantity to buy, the C.O.Q. calculator (a mechanical device similar to a slide rule) used to determine the unit of purchase, psychological considerations in price-making, traffic ("in 1939 thirteen cents of every dollar were spent on transportation costs"), and formulas for use in purchase of major equipment. The written material is supported by a number of interesting tables, illustrations and charts, plus the N.A.P.A. Code and an example of a purchasing manual.

—H. Gordon Pearce, Lecturer
U.W.O. School of Business Administration

SASKATCHEWAN, THE HISTORY OF A PROVINCE

by Jim Wright. McClelland and Stewart, Toronto. 292 pp. $5.00.

Jim Wright peers back into the Genesis of North America in "Saskatchewan, the History of a Province", published to commemorate the Saskatchewan Golden Jubilee. From the glacial age commencing approximately 2 billion years ago he traces the geological results which form the basis of the province's present economic wealth — minerals, timber and agriculture. No dry-as-dust treatise on Saskatchewan's economy, this is the human story of the people that settled and created a community combining the strains of various native and European cultures and economies. The fur trade, the two Metis rebellions, the building of the railway and the influx of immigrants to open the prairies to agriculture — to these bare bones Mr. Wright has added flesh and blood by accounts of pioneer efforts against great odds. To improve the farmer's lot by organization, the Saskatchewan Wheat Pool (1923), wholesale and consumer co-operatives to market milk, poultry and other farm products were supported, not for theoretical reasons, but as co-operation essential to continued existence on the prairies. First in the co-operative field was the organization of the Consumers Co-operative Refineries Ltd. in 1934. From its original paid-up capital of $32,000

this organization has expanded until its annual sales approximate $14 million, with a daily capacity of 12,000 barrels.

The administrators of the province were not wholly engrossed by economic matters. In 1908 the University of Saskatchewan was established and has contributed greatly through its College of Agriculture to the economic life as well as to other fields of science and to the arts.

Adaptability is the key to existence in Saskatchewan, particularly in rural areas. In response to the needs of Canada's allies during the second World War, Saskatchewan shifted from a predominantly wheat economy to mixed farming and provided Britain with bacon and dairy products, as well as with wheat. Farming methods have run the gamut from ox- and horse-drawn implements to complete power equipment. The hazards of drought, frost, grasshoppers and rust are always a menace. But the undaunted spirit of the people can be gauged by the example they set in the "dirty thirties" when they held the World's Grain Show in Regina in 1933.

Much to the consternation of the rest of the Dominion the C.C.F. party was voted into power in 1944. After its initial ventures in socialization—some successful, some otherwise—the C.C.F. administration has pioneered its hospitalization plan, government insurance, air ambulance service and government airways. In the north, the Government Airways is helping to develop the vast supplies of fur, timber, fish and minerals.

The book concludes with a review of the current economic picture. No longer is agriculture so predominant; millions of dollars are being spent in oil exploration and many oil and natural gas wells are in production. Such sources of natural power should attract more industry and it is the government's policy to encourage private investment, hence the development of potash, sodium sulphate and other mineral deposits. Altogether this is an extremely interesting account of Saskatchewan's growth to maturity.

—Esther Brandon, Gold Medallist
U.W.O. School of Business Administration

AMERICAN AGRICULTURE

by John Wiley & Sons, New York, 1955. 200 pp. $5.00.

This book is a volume in the Census Monograph Series prepared for the Social Science Research Council in cooperation with the U.S. Dept. of Agriculture and the U.S. Dept. of Commerce.

Although dealing almost entirely with the position of agriculture in the United States' economy, a great deal of the material can be carried over to the Canadian scene. Unfortunately figures for the production of cotton and citrus fruits remind us that Canada is not blessed with such "banana belts" although we do have our Okanagan Valley and Niagara Peninsula.

The author illustrates very well the change in agriculture with the increase in mechanization. The book is filled with excellent graphs to illustrate trends and maps to show location and concentration . The distribution of different economic groups according to type of agriculture, their labour requirements and expenditures are amply shown by numerous tables.

For those interested in the economic organization of agriculture, potential requirements and trends which are largely applicable to Canadian agriculture, this book is recommended. Reservations need only be made where geography and climate have caused a different development in Canadian agriculture.

—E. Y. Spencer, Principal Chemist,
London Science Service Laboratory, Department of Agriculture

THE T.V.A.—AN APPROACH TO THE DEVELOPMENT OF A REGION

by Gordon R. Clapp. University of Toronto Press, Toronto, 1955. 206 pp. $3.50.

The Tennessee Valley Authority has aroused more enthusiastic emulation outside the U.S.A. and more derogatory epithets within than any other enterprise. Hailed internationally as the greatest example of successful rejuvenation of a dying soil-eroding area, T.V.A. has within U.S.A. never ceased to be criticized as "creeping socialism", hamstrung by political graft and obstructed by big business. Here in Canada where development of the potential power of the St. Lawrence Seaway was long opposed by the cracked voices of a similar U.S. group of log-rolling politicians, playing the records provided by vested interests, we have been well aware of but relatively free from these prejudices against government help in the development of great natural resources. But in addition to outlining the administrative problems of reconciling politics on federal, state and local level, this book also teaches another lesson for Canadians—the need to plan ahead with imagination.

This short and readable defence of T.V.A. is based on a series of lectures given at the University of Chicago through the Charles R. Wal-

green Foundation by Gordon R. Clapp who served T.V.A. from its beginning in 1933 until his retirement in 1954 completing 21 years of service, the last 7 as T.V.A.'s chairman. Consistently, T.V.A. has provided the United States with that essential reserve of power required in wartime; consistently, despite the many obstacles, it has achieved new output records; consistently, it has planned ahead with imagination. In contrast, the private public utilities have consistently underestimated potential consumption and provided inadequate generating capacity. Even the astronomical estimates of the Paley Commission forecasting an increase of U.S. power requirements from 389 to 1,400 billion kwh in the 25 years from 1950 to 1975 author Clapp considers to have been proved too low by experience in the Tennessee Valley. The Paley Commission bases its estimates partly on the U.S. 1950 national average consumption of 1,900 kwh by residential and domestic consumers; it then assumes that this average will increase to 5,000 by 1975. In the Tennessee Valley domestic consumption passed 1,900 kwh in 1946 and in 1954 had already reached the 5,000 figure forecast by the Paley Commission for 1975. (Yet this seven-state region is still growing so fast that it needs $150 million a year in new power facilities — to be financed, if proposals now before U.S. Congress are approved, by T.V.A. issuing its own bonds.)

The United States has not always been a pace-setter in the provision of rural electrification. In 1924 less than 3% of U.S. farms had electricity, when in the Province of Ontario 80% of the population were served (with a higher ratio of consumers in rural than in urban areas). It is Mr. Clapp's contention that only when confronted by T.V.A. and Northwest competition did the well-entrenched U.S. power monopolies develop rural electrification. That this competition also reduced rates is shown by the way rates increase in proportion as areas are distant from the two areas of federal power in the Tennessee Valley and the Northwest. But lower rates have in fact been good business; by 1952 private utilities adjacent to T.V.A., which had lowered their rates relatively more than those more distant, increased their common stock earnings 5-fold compared with prewar. Private utilities as a whole only increased earnings 2¼ times.

"The irony of this situation should be apparent. Most utilities would show better earnings if they performed a better public service. Instead of opposing T.V.A. with political slogans and economic dogma they might prudently foster a warm espousal of a few aggressive centres of public power examples in their midst."

Private corporations generate 4/5 of all the electric power sold in the United States, and Mr. Clapp does not wish it otherwise. He is a firm believer in the spur of competition. He does however point out that it requires 4 years to build electric generating capacity and that

no agency, public or private, is at present responsible for planning provision for large defense loads. The U.S. Merchant Marine is kept in a state of readiness by subsidies of 45% of domestic building costs and $\$1/2$ billion a year to maintain port services and navigation facilities. The Federal Airport Act is spending $\$1/2$ billion for airports. The Defense Transport Administration has proposed "mothballing" obsolete rail passenger cars. "A reserve of uncommitted power capacity should be built to add to our strength as a measure of preventing war and to permit immediate expansion of energy output in the event war cannot be avoided." To achieve these defense reserves, he does not recommend the present tax amortization programme which enables high cost producers to expand along with low cost. The additional reserve capacity will entail additional carrying charges, but T.V.A.'s experience demonstrates that these carrying charges would be offset in large measure by the operating economies they make possible, since in 1951 about 1/4 of U.S. generating capacity was over 25 years old, much of it more than 30 years old.

DIRECTORS' AND OFFICERS' ENCYCLOPEDIC MANUAL

by the Editorial Staff, Prentice-Hall Inc. New York 11, N.Y. 1955. 641 pp. $10.00.

This volume attempts to give the business executive a ready reference work. The basic principles of U.S. corporate law, all phases of corporate practice and every table, form and chart in current U.S. use have found mention.

The Canadian executive considering business in the United States might well consult this and also wish for a similar product to be prepared especially for Canadian businessmen.

GROWTH AND STAGNATION IN THE EUROPEAN ECONOMY

by Ingvar Svennilson, United Nations Economic Commission for Europe. Ryerson Press, Toronto. 360 pp. $7.50.

This is a detailed picture of European industrial growth up to World War I, and the relative stagnation of the Continent's economy between the two World Wars. During the 25-year period, 1913 to 1938, the annual rate of increase in European agricultural output was only 1.5%, and for manufacturing and service industries only 2%, while the population during the same period grew nearly 15%. National

income per capita, therefore, did not rise more than an average of about 0.8% per year, and the average real income per head of active population not more than 0.6% per year.

"According to historical experience in the industrial era," understates Professor Ingvar Svennilson of Stockholm, "this represents a slow rate of progress." He cautions, however, that this statistical measure omits two important considerations: the increased leisure which accompanies shorter working hours gained during the period, and the widely differing standards of living and rates of progress of individual European countries.

Prepared under a grant from the Rockefeller Foundation and in co-operation with the Secretariat of the ECE, the report is mainly concerned with the economic growth of individual European countries and industries (excluding U.S.S.R.) from the beginning of the First World War until the outbreak of the second. But the data and analysis, wherever possible, cover the period 1880-1950, and particularly in the 150 tables permit an appraisal of the progress of each European country in a variety of economic sectors, such as agricultural and manufacturing output, investment, trade, energy consumption, population, industrialization and urban settlement, as well as in a number of specific industries, including steel, coal, cotton, transport, motor, shipbuilding, cement and chemicals.

What are the elements in national growth and economic stagnation? The study examines the role of technical progress, the introduction of innovations and the "transformation" of growing economies. This notion of transformation includes: a change of production methods mainly in the direction of more advanced mechanization; a change of input-output relations between raw materials and end-products; the development of new end-products, and shifts in the distribution of consumption between various products; changes in exports and imports in relation to the output of domestic industry; and a redistribution of manpower between different industries and occupations.

At the outbreak of the first world war, Europe could look back on several decades of rapid economic expansion, especially of its industry. In spite of the rapid industrialization of North America, Europe west of Russia had maintained its position as the world's most important centre of industry. Three big areas, the United Kingdom, Germany and France, accounted for more than seven-tenths of Europe's manufacturing capacity, while their share of Europe's population was less than half. About 60% of world exports of manufactured articles originated from their industries. The rapid expansion in the preceding decades also meant that the average age of European capital equipment at the outbreak of the first world war was low, and consequently that

the average modernity and efficiency of industry was comparatively high. Furthermore, there was a general belief in continued expansion.

The first world war profoundly upset the balance of the existing economic system, and in several respects changed the basic conditions for long-term development and gave it a new direction. Some of the consequences of the war were losses of manpower, of financial assets and of productive capacity, as well as changes in technology, in contacts with overseas markets, in attitudes towards economic policy and in business psychology. Even more important was the dislocation in the distribution of resources between countries or industries. A significant consequence of the peace was the increase in the number of smaller European countries. The arbitrary combination of resources within smaller national areas had a decisive influence on long-term growth, slowing down not only the growth of some less favoured countries, but also the general development of Europe's joint resources. As most European countries sold the greater part of their exports to other European countries, stagnation in one major part of the European area strongly affected the growth of the rest.

The more highly industrialized countries of Europe possessed a heavy industrial structure shaped at a time when conditions for industry, production technique and the optimal size and location of plants, were quite different from what they were in the inter-war period. Adjustment to new conditions, therefore, involved a far-reaching transformation of their whole industrial structure. What was needed in order to bolster the economic structure was the development of new industries and the modernization of stagnating industries in order to squeeze out resources, including labour, that could be used more effectively in new fields. The ideas and techniques of a balanced high-employment policy had not yet been developed, and long-term progress was stranded on the rocks of inflation or deflation.

In 1913, Europe had been by far the largest importer of primary products. Stagnation of output and income over a period of ten years, therefore, meant a setback in the markets for primary products, as compared with the expansion of demand in the decades preceding the war. The lack of markets for overseas countries led to a decline of their terms of trade. Overseas countries lost international purchasing power and were stimulated to continue their industrialization, both for balance-of-payments reasons and because prices had shifted to the advantage of manufactured products. The result was a stagnation in world trade, as compared with 1913, and a lowering of the average level of European exports. The vicious circle was one of European stagnation, falling terms of trade for primary goods, industrialization under protection in overseas countries, a decline in European exports of textiles and mis-

cellaneous light manufactures, and the United States capturing an increased share of the expanded markets for machinery and transport equipment.

At the end of the thirties, the European economy presented a picture of half-finished transformation in relation to technological change and the new developments in the international markets. Professor Svennilson states: "Europe was suffering from the arterio-sclerosis of an old-fashioned, heavily capitalized economic system, inflexible in relation to violent economic change . . . Low productivity in agriculture and many manufacturing industries, and widespread unemployment kept national output and income low, and blocked the road towards rapid general expansion."

—A Gordon Huson, Associate Professor
U.W.O. School of Business Administration

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